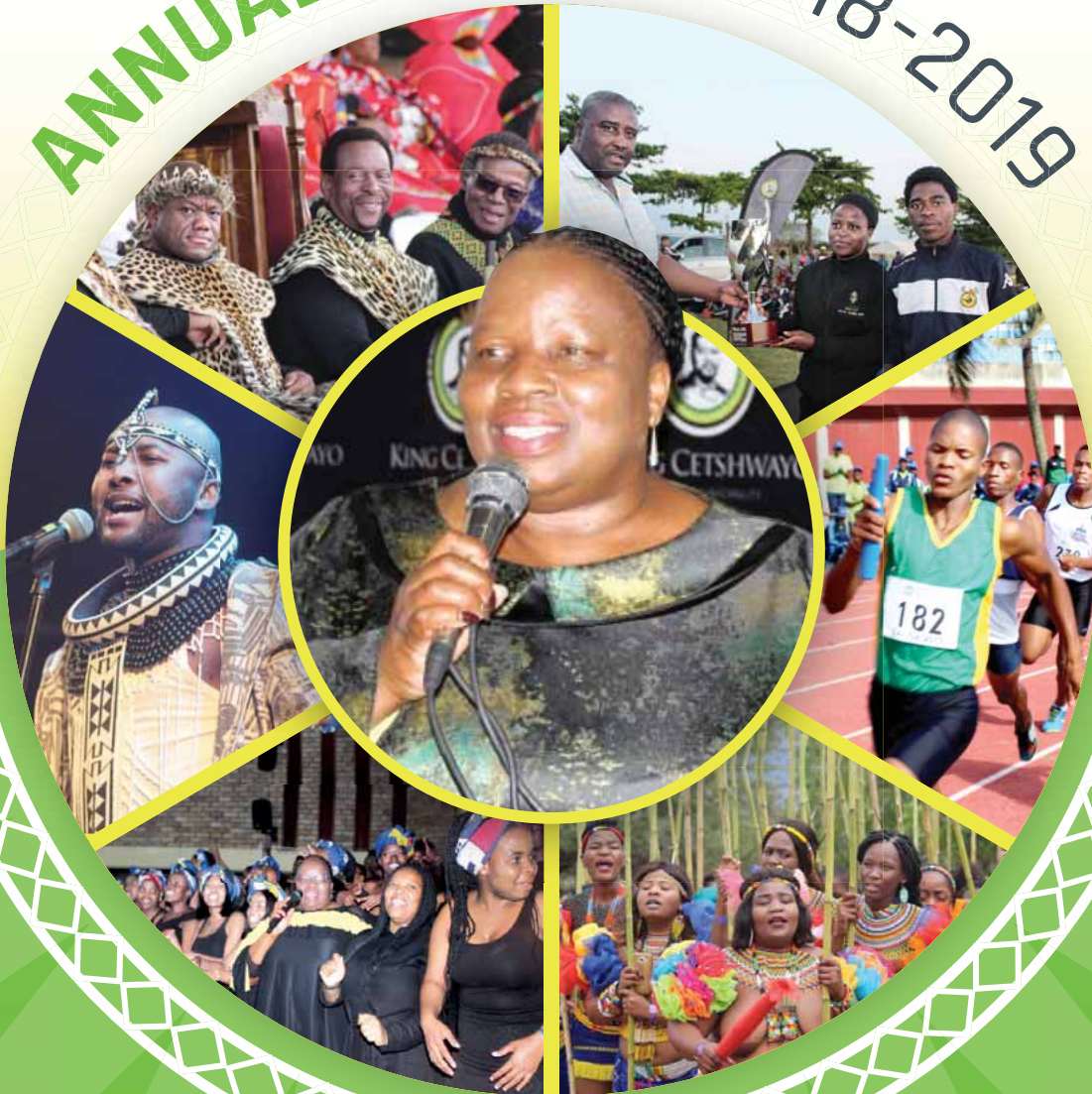




KING CETSHWAYO

DISTRICT MUNICIPALITY

ANNUAL REPORT 2018-2019



An economically viable district with effective infrastructure that supports job creation through economic growth, rural development and promotion of our heritage





VISION

An economically viable district with effective infrastructure that supports job creation through economic growth, rural development and promotion of our heritage

MISSION

To create a prosperous district through:

- Rural development, agrarian reform and food security,
- Creating economic growth and decent job opportunities,
 - Fighting crime and corruption,
 - Promoting quality education for all,
 - Improving the quality of health,
- Community participation, nation building and good governance.

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01 CHAPTER MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: 1.1. MAYOR'S FOREWORD

HER WORSHIP, CLLR. N.N.P MKHULISI

“As a district our role is to transform the job market and to facilitate job creation, poverty alleviation and to promote economic growth performance, thus reducing unemployment”.

It is my great pleasure to present the Annual Report for the 2018/2019 Financial Year.

The theme at both the national State of the District Address and the provincial State of the Province Address is that of service delivery and putting people first. This, I take as a direct instruction or the marching orders for local government, considering the fact that we are the ones with direct contact with the people.

We are the ones that ought to have a first-hand experience of the plight of the people.

We have taken stock of the service delivery mechanisms and strategies that we have employed in the past few years. I have done an introspection on how we have done during our term of office. I am happy with the progress made with this Council in office during the start of the 6th administration of government. We have had no choice but to drastically change the way we have done things.

The priorities of the district were specifically derived from the electoral mandate given by our constituents.

The first one was to transform the economy to serve the people. This we saw as the economy and jobs with specific focus to the district.

The district has in the financial year under review achieved 1000 jobs through the EPWP programme and the target for the new financial year is even higher.

Although it is a fact that labour intensive sectors are declining and shedding jobs, which can be attributed to the poor growth

performance, it is my special focus to promote job creation and economic opportunities through local economic development strategies within the district.

As a district our role is to transform the job market and to facilitate job creation, poverty alleviation and to promote economic growth performance, thus reducing unemployment. It is through these initiatives that the district seeks to transform the economy in order to serve the people.

One of the focus areas of the district to promote investment in programmes was Operation Phakisa, working with the locals of the district. Opportunities such as Ocean Economy, mining, biodiversity and agriculture have been identified as the main focus for the district through its local City of uMhlathuze and the Richards Bay IDZ and through the Port of Richards Bay.

On skills development and local economic development, we have strategic opportunities such as enrolment of learners for maritime studies, through partnering with the institutions of high learning.

On social transformation my special focus is on youth and skills development. We have employed for the first time a Youth Manager to focus specifically on youth and the development of programmes for the youth. Through his wisdom the district strives to improve employability of youth through skills and training. We want to see the development of youth programmes, life skills trainings and entrepreneurial training. Through the government TVET and community colleges we would like to see young artisans produced.

We have in our Fresh Produce Market placed a few interns and the majority of employees are youth.



On rural development as part of the social transformation, the district was looking to reduce unemployment by creating indirect jobs in agriculture agro processing. A vehicle for driving this has already been established through the district entity, the Fresh Produce Market, which by its mandate, must assist in increasing agricultural production, establishment of agri-hubs by partnering with state institutions such as the Richards Bay IDZ and advancing rural women, youth and people living with disabilities through agricultural initiatives, mostly through its programmes.

The national and provincial government leaders are preaching the promotion of clean governance and ethical standards as can be heard by the speech of the President. For this reason the district has adopted an anti-corruption strategy and blacklisting policy for businesses that conduct themselves in an unethical manner when dealing with the district.

The district has appointed a committee that will deal with blacklisting of companies doing business with the municipality and abusing the supply chain management system of the municipality.

My focus was to strengthen governance in the district. It is no secret that the Fresh Produce Market as an organ of state has been engulfed with challenges of poor governance and poor financial management. This is the entity of the municipality. Urgent interventions have been put in place to ensure accountability for performance and to ensure consequence management.

We want to achieve a capable and honest government through the improvement of financial governance by reducing wasteful and fruitless expenditure, reduce irregular expenditure, thus implementing accountability and consequence management. All oversight structures have been relooked at and we are closely managing the performance of the political principals, the Municipal Manager and senior management of the municipality to provide the necessary capacity building around the management of the political administration interface.

In response to the cry for water from our communities and in keeping with our obligation as a Water Services Authority, we held a Service Delivery Round Table.

The intense programme highlighted challenges and proposed solutions to fast track the delivery of water to our rural communities. With the support of our 5 local municipalities and service delivery partners from government and the corporate sector, we were able to pin down the most critical areas of weakness and need.

Our short term strategy for water is to ensure that the communities do have access to water, even if it is on an interim basis.

A feedback report on the interventions has been drafted and is being implemented in the 2019/2020 financial year. These include the repair of hand pumps and boreholes, drilling of new boreholes,

a review of the municipality strategy for water development infrastructure and a review of the Master Plan for the district.

These are urgent and require immediate prioritisation. We also would improve water quality and secure a sustainable water supply. The district is currently reviewing its strategy for operation of water and wastewater treatment plants and also the waste water treatment capacity.

On sanitation we are proud that our backlogs only stand at 3%.

In support of service delivery, I want to confidently say that the budget of King Cetshwayo is structured in a manner that prioritises the needs of the people.

The majority of the budget allocation for the 2019/2020 financial year is prioritised towards capital infrastructure spending, which is in line with our focus to increase service delivery pace.

I want to assure our communities that you will see a change in the provision of services, water and sanitation, improved governance and clean administration, promotion of local economic development initiatives and the creation of sustainable job opportunities and this is reflected through the way we have structured our budget, resources and administration in prioritising the needs of the community.

In any event this is our developmental mandate as the municipality.

I wish to extend my deep appreciation to the Municipal Manager, Deputy Municipal Managers, and the entire staff complement for their dedication, hard work and loyalty to the organization during this past financial year.

I wish to also convey my sincere gratitude to the District House of Traditional Leaders, members of the national and provincial government and our Local Municipalities in the King Cetshwayo family, for your support and cooperation as we walk together to the principles of the Freedom Charter and to provide services to our people.

I also express my appreciation to our former Deputy Mayor, Speaker, Exco members and members of Council for their leadership, guidance and oversight over the activities of this district.

I finally thank the people of this wonderful district for your confidence in this leadership and for your patience as we strive to improve your lives.

Thank you



COUNCILLOR NNP MKHULISI
MAYOR: KING CETSHWAYO DISTRICT MUNICIPALITY





COMPONENT B: 1.2. MUNICIPAL MANAGER'S EXECUTIVE SUMMARY

MUNICIPAL MANAGER: MBALI NDLOVU

"It boasts the largest deep-water port on the African continent, which imports and exports the most bulk cargo of all African ports."

THE VISION AND MISSION OF THE KING CETSHWAYO DISTRICT MUNICIPALITY

VISION

By 2035, King Cetshwayo District will be a cohesive, economically viable district, with sustainable strategic infrastructure, supporting job creation through radical economic transformation, rural development and promotion of our heritage.

MISSION

King Cetshwayo District Municipality will serve its communities to create a prosperous district through:

- Provision of sustainable, quality water and sanitation services;
- Developing the economy through radical economic transformation and job creation;
- Promoting rural development, agrarian reform and food security;
- Coordinated planning, spatial equity and environmental sustainability; and
- Promoting heritage, community participation, nation building and good governance.

1.3. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

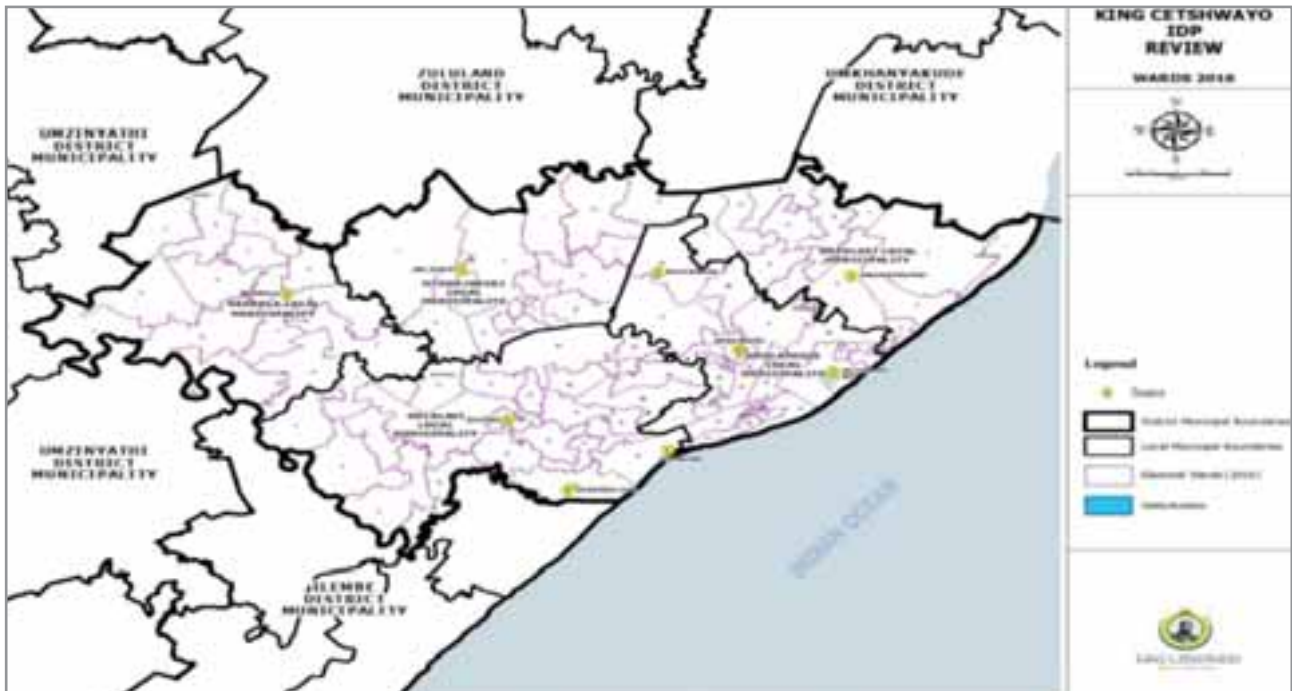
King Cetshwayo District Municipality is a category C municipality and is located in the north-eastern region of the KwaZulu-Natal Province on the eastern seaboard of South Africa. It covers an area of approximately 8213 square kilometres, from the agricultural town of Gingingdlovu in the south, to the uMfolozi River in the north and inland to the mountainous beauty of rural Nkandla. It has the third highest population in the province (with an estimated total of 971 135 people) after the eThekweni Metro (Durban) and the uMgungundlovu district (Pietermaritzburg and surrounds).

With the redetermination of municipal boundaries after August 2016, the District comprises five (5) Local Municipalities:

- uMfolozi
- uMhlathuze
- uMlalazi
- Mthonjaneni
- Nkandla

Wards from the former Ntambanana Municipality were assimilated into uMhlathuze, uMfolozi and Mthonjaneni Local Municipalities. None of the outer boundaries of the district were affected by the re-demarcation process.

Map: King Cetshwayo District Wards



Map: King Cetshwayo District Local Municipalities



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LOCALITY PROFILE

The King Cetshwayo district comprises the best and worst of the two economies of this country. It is home to several of the largest industrial giants in the world; the retail sector in our urban areas is burgeoning with economic activity, the agricultural and tourism potential is boundless and opportunities exist for local economic development.

COMPETITIVE ADVANTAGES

King Cetshwayo District Municipal area is well-endowed with natural resources with its competitive advantages:

- A good climate that opens up avenues for productive agricultural and tourism development;
- Agriculture with irrigation infrastructure in place; and
- A scenic environment and coastal terrain which create opportunities for tourism development.

King Cetshwayo District's unique qualities set it apart from many other regions in South Africa. It boasts the largest deep-water port on the African continent, which imports and exports the most bulk cargo of all African ports. It has double the capacity of the Port of Durban to the south and handles in excess of 75 million tons of cargo annually. The development of the harbour facilities at Richards Bay has enhanced the development of the manufacturing sector, such that the manufacturing sector is one of the largest economic contributors to the gross domestic product in King Cetshwayo.

MUNICIPALITY DEMOGRAPHICS

Information in the following table contains demographics per local municipality for Spatial Size, Population, Wards and Traditional Authorities:

MUNICIPALITY	CURRENT SPATIAL SIZE	DEMOGRAPHIC SIZE	NUMBER OF WARDS	NUMBER OF T/A	NAMES OF TRIBAL	
uMfolozi	1208 km ²	144 363	17	3	Mthethwa Mbonambi Mambuka Somopho	Sokhulu
uMhlathuze	795 km ²	410 465	34	5	Dube Mbuyazi Zungu Somopho	Mkwanazi Khoza
uMlalazi	2214 km ²	213,601	27	14	T Biyela ZM Biyela Khoza Zulu F R Biyela Zulu S Zulu	Nzuzi Mpungose Dube Ntuli Zulu Mzimela Shange
Mthonjaneni	1086 km ²	78 883	13	4	Ntembeni Obuka Obizo	Yanguye
Nkandla	1827 km ²	114,284	14	18	Biyela Dlomo Khanyile Khanyile Magwaza Mbhele Mchunu Mpungose Ntuli	Shezi Sibisi Xulu Zondi Zulu Zuma Biyela Sithole Mpungose
King Cetshwayo	8213 km ²	917 135	105	46		

Source: Stats SA –Community Survey 2016

CHALLENGES

80% of the population is rural and 53% is aged between 0 and 19 years. Women make up 53% of the population due to migration patterns associated with the province in general and there are large disparities in settlement concentrations.

The challenge is to provide basic services such as water and sanitation to our rural communities while stimulating local economic development, job creation and the growth of the small and medium business sector.

King Cetshwayo District Municipality allocates almost half of its annual budget to capital infrastructure projects in the local municipalities, where it supplies basic services. The vast majority of residents live in rural homesteads and unemployment is at about 50%. A lack of scarce skills has negatively affected the employment conditions, as industries have been forced to source labour outside of the region, to the detriment of local workers. Severe drought conditions have resulted in water sources running completely dry, causing further challenges.

ECONOMIC PROFILE

King Cetshwayo offers highly favourable agricultural conditions as it has extremely fertile soils, good rainfall and enjoys an excellent,

frost-free climate all year round. A wide variety of bio-climatic conditions are on offer across the district, from the mountainous area of Nkandla down to the coastline. The agricultural sector is a dual economy, consisting of commercial agriculture on one hand and traditional agriculture on the other. The commercial agricultural economy is largely sugar cane and forestry industries. Traditional agriculture is practiced on most of the tribal lands in the district and has enormous potential for growth with agriculture as a niche area.

At King Cetshwayo District Municipality giant steps have been taken in initiating skills transfer schemes and on-the-job training for members of our communities in the implementation of the majority of our capital infrastructure projects. The Local Economic Development initiatives have also led to job creation and entrepreneurship opportunities for our people.

POWERS AND FUNCTIONS

In terms of Circular 8/2008: 2008/09 Capacity Assessments and Recommendations: Adjustment of Powers and Functions between District and Local Municipalities in terms of Section 85 of the Local Government: Municipal Structures Act 1998, King Cetshwayo District Municipality has the following powers and functions to fulfil:

			KCDM	UMFOLOZI	UMHLATHUZE	NTAMBANANA	UMLALAZI	MTHONJANENI	NKANDLA
1	S84(1)(a)	Integrated Development Planning for District as a whole	✓	✓	✓	✓	✓	✓	✓
2	S84(1)(a)	Potable Water Supply Systems	✓	✓	×	✓	✓	✓	✓
3	S84(1)(c)	Bulk supply of electricity		×	×	×	×	×	×
4	S84(1)(d)	Domestic waste-water and sewage disposal system	✓	✓	×	✓	✓	✓	✓
5	S84(1)(e)	Solid waste disposal sites serving the area of the District Municipality as a whole	✓	✓	✓	✓	✓	✓	✓
6	S84(1)(f)	Municipal roads which form an integrated part of a road transport system for the area of the district municipality as a whole	✓	✓	✓	✓	✓	✓	✓
7	S84(1)(g)	Regulation of passenger transport services	✓	✓	✓	✓	✓	✓	✓
8	S84(1)(h)	Municipal airport serving the area of the district municipality as a whole	✓	✓	×	✓	✓	✓	✓

POWERS AND FUNCTIONS *...Continued*

			KCDM	UMFOLOZI	UMHLATHUZE	NTAMBANANA	UMLALAZI	MTHONJANENI	NKANDLA
9	S84(1)(i)	Municipal health serving the area of the district municipality as a whole	✓	✓	✓	✓	✓	✓	✓
10	S84(1)(j)	Fire Fighting services for district municipality as a whole	✓	✓	×	✓	×	✓	✓
11	S84(1)(k)	Fresh produce markets and (Abattoirs) serving the area of the district municipality as a whole	✓	✓	×	✓	✓	✓	✓
12	S84(1)(l)	Cemeteries and Crematoria	✓	✓	✓	✓	✓	✓	✓
13	S84(1)(m)	Promotion of local tourism for the District Municipality	✓	✓	✓	✓	✓	✓	✓
14	S84(1)(n)	Municipal public works relating to any of the above function or and other functions assigned to the district municipality	✓	✓	×	✓	×	✓	✓
	S84(1)(o)	the receipt, allocation and if applicable distribution of grants made to the district municipality	✓	✓	✓	✓	✓	✓	✓
16	S84(1)(p)	The implementation and collection of taxes, levies and duties as related to the above functions or may be assigned to the District Municipality in terms of National	✓	✓	✓	✓	✓	✓	✓
18	Sched 4 B	Building Regulations	✓	✓	×	✓	×	×	✓
22	Sched 4 B	Local Tourism	✓	✓	×	✓	×	✓	✓
	Sched 4 B	Air Pollution	✓	✓	×	✓	✓	✓	✓
40	Sched 5 B	Licencing and control of undertakings that sell food to the public	✓	✓	✓	✓	✓	✓	✓
50	Sched 5 B	Refuse removal, refuse dumps, solid waste disposal and cleaning services	✓	×	×	✓	×	×	×
KEY									
		Function Performed by the Municipality	×						
		Allocated Functions to the District	✓						

Note: Functions performed by Ntambanana will continue to be provided by the relevant LM after demarcation.

DEMOGRAPHIC DETAILS

INDICATOR	KING CETSHWAYO MUNICIPALITY
Area	8 213 km ²
Population	917 135
Households	225 797
Number of settlements	1 318 (WSDP 2007)
Urban areas	2 major, 3 minor, 4 rural centres
% rural population	80% (162 381 households)
% urban population	20% (40 595 households)
Gender breakdown	Males 459 832 Females 511 302
Age breakdown	0-14 (387 358) 15-34 (345 805) 35-64 (176 455) 65 + (61515)
Life expectancy	2006 43.1 years (IDP 2012) 2011 57.1 years

Source: Stats SA Community Survey 2016

SCHOOL ATTENDANCE % (SOURCE: CENSUS 2011)

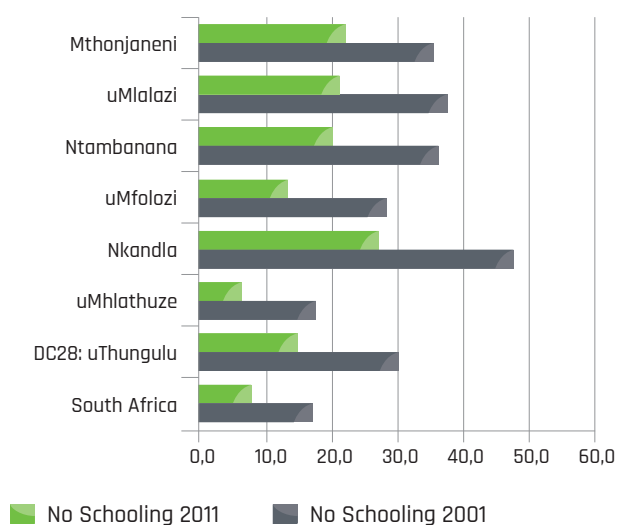
	NO SCHOOLING		HIGHER EDUCATION		MATRIC		PRIMARY EDUCATIONAL ENROLMENT	
							aged 6-13	
	2001	2011	2001	2011	2001	2011	2001	2011
South Africa	17,9	8,4	8,4	6,7	22,1	27,8	91	93,1
DC28: Uthungulu	31,6	15,7	5,8	4,2	18,3	29,5	88,3	89,6
uMhlathuze	18,5	7,2	10,9	7,3	27,6	36,9	90,1	91,7
Nkandla	49,8	28,8	2,5	1,7	11,5	21,0	88,7	86,7
Mfolozi	29,6	14,6	2,3	1,2	14,5	30,3	89,3	88,2
Ntambanana	38,0	21,2	1,5	0,8	10,4	23,1	86,4	91,3
uMlalazi	39,2	22,5	3,5	2,9	13,2	22,9	87,0	88,9
Mthonjaneni	37,3	23,3	3,9	2,3	14,7	22,1	85,6	88,9

ANNUAL HOUSEHOLD INCOME

INCOME	POPULATION	%
No income	27843	14%
R 1 - R 4800	9931	4.9 %
R 4801 - R 9600	18155	9%
R 9601 - R 19 600	41622	20.5%
R 19 601 - R 38 200	42254	20.8%
R 38 201 - R 76 400	23218	11.4%
R 76 401 - R 153 800	15971	7.8
R 153 801 - R 307 600	12316	6%
R 307 601 - R 614 400	8320	4%
R 614 001 - R 1 228 800	2332	1.1%
R 1 228 801 - R 2 457 600	594	0.3%
R 2 457 601 or more	415	0.2%
Total	202972	100%

Source: Census 2011

Percentage of the population aged 20 and above in each Local Municipality with no education



1.4. SERVICE DELIVERY OVERVIEW

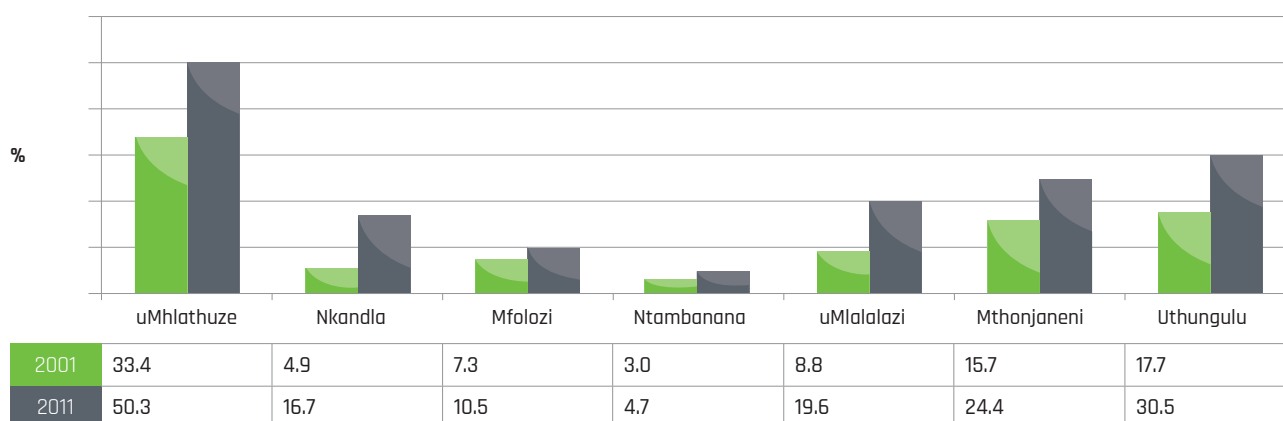
SERVICE DELIVERY AND INFRASTRUCTURE

The council's highest priorities are aimed at eradicating rural backlogs for water supply and sanitation services, as measured against RDP standards. The following has been achieved in King Cetshwayo District with regard to water and sanitation backlogs:

WATER SUPPLY BACKLOG IN KING CETSHWAYO DISTRICT

LOCAL MUNICIPALITY	HOUSE-HOLD COUNT	HOUSE-HOLDS WITH SANITATION	HOUSE-HOLDS WITHOUT SANITATION	VIP TOILETS COMPLETED IN FY2017/18	BACKLOG
uMlalazi	43,851	38,633	5,218	6,039	12%
Mfolozi	24,802	24,802	0	783 - Infills	0%
Nkandla	22,484	22,484	0	0	0%
Mthonjaneni	17,759	17,759	0	0	0%
Total	108,896	103,678	5,218	6,822	3%

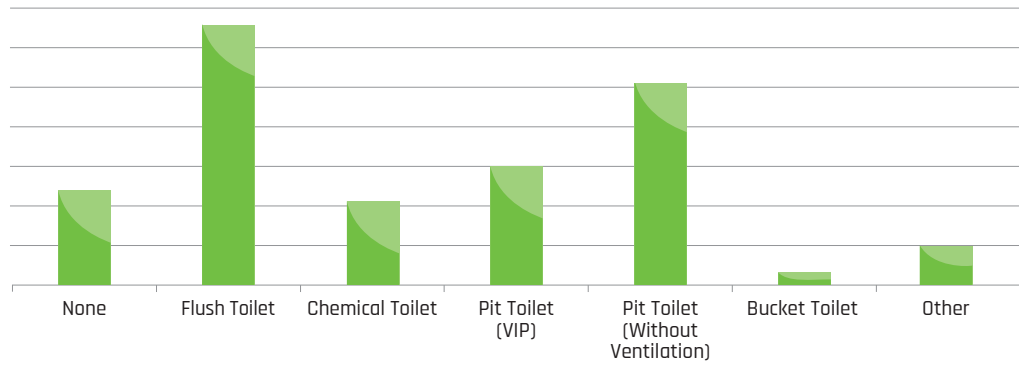
Percentage of households with access to piped water inside dwelling



SANITATION BACKLOGS IN KING CETSHWAYO DISTRICT

LOCAL MUNICIPALITY	2015 HOUSEHOLDS	HOUSEHOLDS WITH WATER COVERAGE	HOUSEHOLD BACKLOG	PERCENTAGE BACKLOG
Mfolozi	24,802	18,892	5,910	24%
uMlalazi	43,851	27,484	18,367	42%
Mthonjaneni	17,759	13,432	4,327	24%
Nkandla	22,484	16,712	5,772	26%
Total	108,896	76,520	34,376	32%

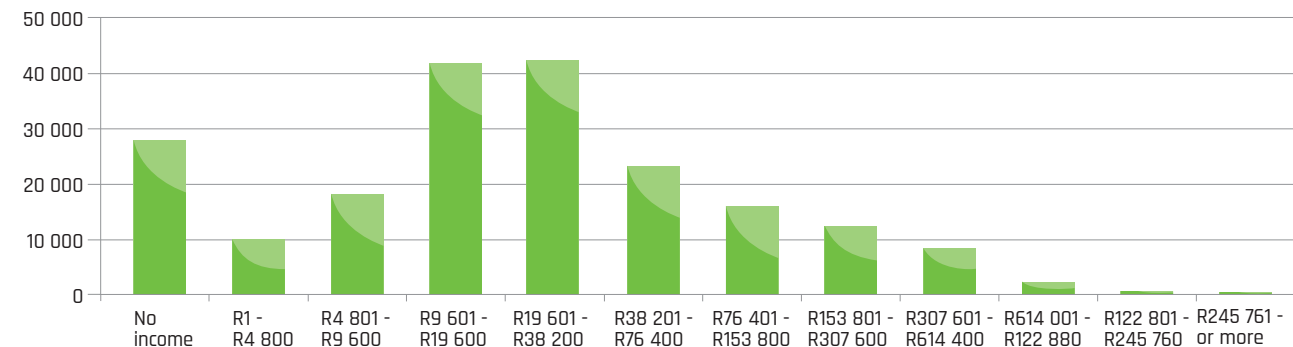
Access to Sanitation 2011



Access to Sanitation 2011	23 392	64 434	20 641	30 210	50 694	35 555	10 050
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Source: Census 2011

Income Levels



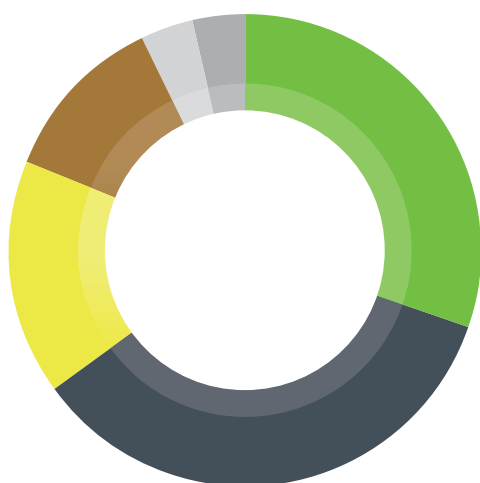
Series 1	27 843	9 931	18 155	41 622	42 254	23 218	15 971	12 316	8 320	2 332	594	415
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Source: Census 2011

ACCESS TO WATER SOURCES

PIPED WATER INSIDE			PIPED WATER ON COMMUNAL STAND			NO ACCESS		
1996	2001	2011	1996	2001	2011	1996	2001	2011
26.6	38.1	65	4.7	17	18.8	66.2	44.9	16.2

Access to Water



- Piped (tap) Water inside dwelling: 61 955
- Piped (tap) Water inside yard: 70 037
- Piped (tap) Water on community stand (200m): 23 905
- Piped (tap) water on community stand (500m): 7 200
- Piped (tap) water on community stand (1km): 7 014
- No Access: 32 865

FINANCIAL HEALTH OVERVIEW

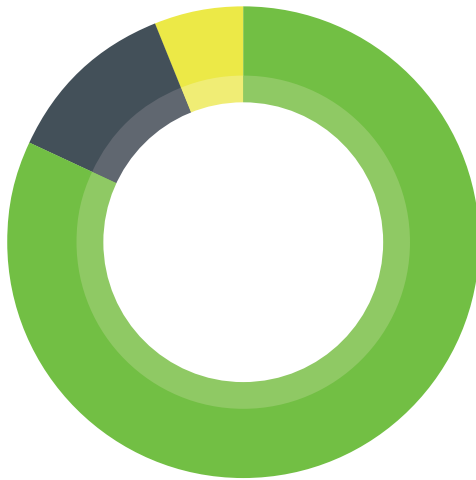
	2018/2019 FINAL BUDGET	POLICY DELEGATED VIREMENTS	CURRENT VIREMENTS	ADDITIONAL REVENUE ADJUSTMENT	ADJUSTED BUDGET
Revenue by Source	A	B	D	C	
- Grants & subsidies	377 430 552	-	-	15 300 000	392 730 552
- Equitable Share	227 727 000	-	-	-	227 727 000
- Levy Replacement Grant	249 115 000	-	-	-	249 115 000
Total Government Grant & Subsidies	854 272 552	-	-	15 300 000	869 572 552
- Sundry Income	4 453 321	-	-	-	4 453 321
- Interest Income	41 610 231	-	-	-	41 610 231
Total Other Income	46 063 552	-	-	-	46 063 552
Trading Services	83 583 494	-	-	-	83 583 494
Acc DPN Reserve - Capex Funding	20 971 656	-	-	-	20 971 656
Accumulated Reserves	44 955 774	-	-	-	44 955 774
Surplus Brought Forward (2017/2018) - VAT on Grant	64 788 855	-	-	-	64 788 855
Total Revenue	1 114 635 883	-	-	15 300 000	1 129 935 883
Expenditure					
Non-trading service	238 872 578	1648	-	-	238 874 226
Trading Services	467 803 823	-118 750	-	-	467 685 073
Operational IDP	169 410 933	117 102	-	-	169 410 933
Capital IDP & Internal Fixed Asset	321 805 789	-	-	15 300 000	337 105 789
Total Expenditure	1 197 893 123	-	-	15 300 000	1 213 193 123
LESS : DEPRECIATION NOT CASH BACKED	83 257 240	-	-	-	83 257 240
TOTAL EXPENDITURE EXCL DEPN	1 114 635 883	-	-	15 300 000	1 129 935 883

The table above depicts the final consolidated adjustment budget for the King Cetshwayo District Municipality which was adopted by Council on the 12th April 2019, after receiving an additional allocation of R15.3m from the Department of Water and Sanitation in respect of the Water Services Infrastructure Grant, meant for drought intervention projects.

The total adjusted budget for KCDM was R1.13 billion for the 2018/19 financial year, with corresponding revenue of R1.13 billion. As can be seen from the table, R869m of the revenue of the municipality is funded from grants, while trading services revenue account for only R84m of the revenue, the rest is funded from interest on investments as well as accumulated surpluses. The total capital budget for 2018/19 is R337m while operational budget is R793m.

ANALYSIS OF DEBT

Debts per Service - 2019

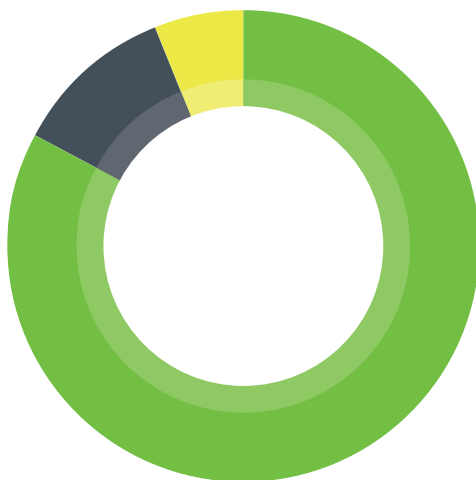


Water (82%) Sanitation (12%) Solid Waste (6%)

SERVICE	2019	2018
Water	64995364	59917992
Sanitation	9968287	8009996
Solid Waste	4708367	3966493,42

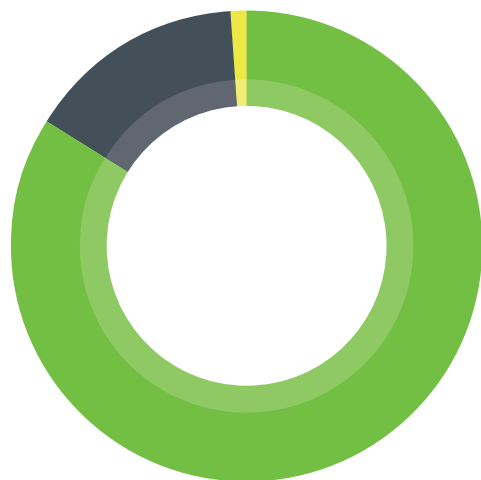
WATER	(33 809 411)	(29 164 517)
Sanitation	(6 032 250)	(4 738 420)
Solid Waste	(382 841)	(741 256)

Debts per Service - 2018



Water (83%) Sanitation (11%) Solid Waste (5%)

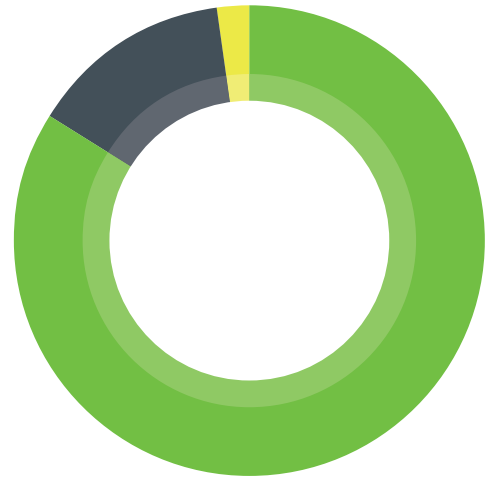
Provision for Bad Debts Per Service - 2018



Water (-84%) Sanitation (-15%) Solid Waste (-1%)

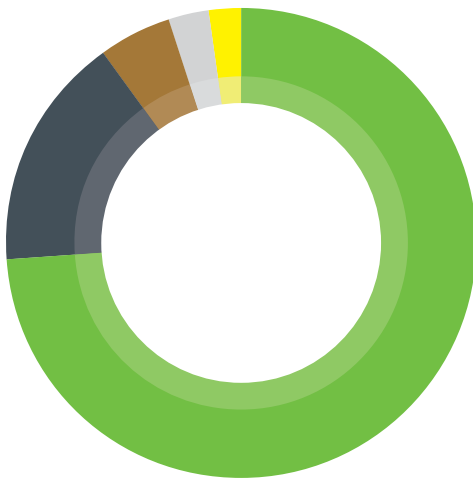
CURRENT (0 - 30 DAYS)	12 948 077	11 047 197
31 - 60 days	4 223 838	4 158 550
61 - 90 days	1 739 624	4 324 450
91 - 120 days	2 138 918	1 546 463
> 120 days	58 621 561	50 817 821
	79 672 018	71 894 481

Provision for Bad Debts Per Service - 2017



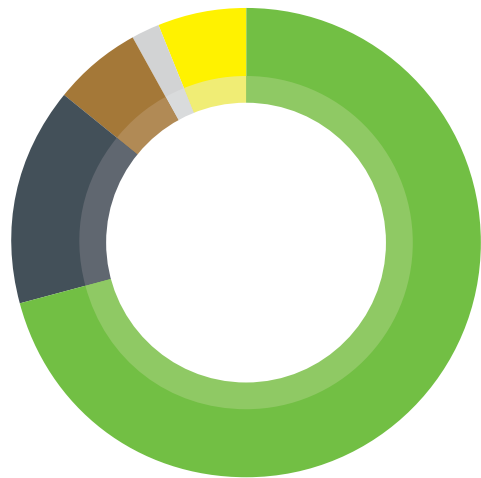
Water (-84%) Sanitation (-14%) Solid Waste (-2%)

Ageing Category 2019



>120 days (74%) Current (0-30 days) (16%)
61-90 days (2%) 31-60 days (5%)
91-120 days (3%)

Ageing Category 2018



>120 days (71%) Current (0-30 days) (15%)
31-60 days (6%) 91-120 days (2%)
61-90 days (6%)



02 CHAPTER GOVERNANCE

INTRODUCTION TO GOVERNANCE

INTRODUCTION AND BACKGROUND:

The Municipal Systems Act of 2000, Section 35 states that an integrated development plan (IDP) adopted by the Council of a municipality is the principal strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development, in the municipality. Thus, the IDP is the only plan, in terms of the legislation, that is available to municipalities for them to strive to progressively achieve the objects of local government mentioned above. The IDP process also provides an opportunity for the municipality to debate and agree on a long term vision for the development of the municipality. The IDP also promotes intergovernmental co-ordination by facilitating a system of communication and co-ordination between local, provincial and national spheres of government. Among the core components of an IDP, the following matters must also be outlined in the IDP:

- The municipal Council's vision for the long term development of the municipality with special emphasis on the municipality's most critical development and internal transformation needs;
- An assessment of the existing level of development in the municipality, which must include an identification of communities which do not have access to basic municipal services;
- The Council's development priorities and objectives for its elected term, including its local economic development aims and its internal transformation needs;
- The Council's development strategies which must be aligned with any national or provincial sectoral plans and planning requirements binding on the municipality in terms of legislation;
- A spatial development framework which must include the provision of basic guidelines for a land use management system for the municipality;
- The Council's operational strategies;
- Applicable disaster management plans;
- A financial plan, which must include a budget projection for at least the next three years; and
- The key performance indicators and performance targets determined in terms of the Performance Management System.

REVIEW OF THE IDP

The Municipal Systems Act requires a municipal Council to develop and adopt an IDP which is a five-year plan aligned to the five-year term of the Council. In other words, a five year IDP must be adopted by each Council after each local government elections. The Municipal Systems Act of 2000, Section 34, further requires that the municipal IDP be reviewed annually. Hence, the IDP for the current term of Council will be adopted in June 2017 and

will continue until after the 2021/22 local government elections. The current IDP is the fourth generation of IDPs.

STEPS FOLLOWED IN DEVELOPING A MUNICIPAL IDP

Before starting the planning process, a District's Framework and Local Municipalities' Process Plans respectively must be drawn up and adopted by the respective Councils. These plans are meant to ensure the proper management of the planning process. Subsequent to adoption of the District Framework Plan, local municipalities must develop and approve their respective process plans to inform the IDP review process within their respective jurisdictional areas.

The first phase entails collection of information on the existing conditions of socio-economic development within the municipality. When assessing the existing level of development in the municipality, the level of access to basic services and those communities that do not have access to these services must be identified. Focus must be on the types of developmental issues confronting the community in the area and their causal factors. The identified developmental issues are accordingly assessed and prioritised in terms of what is urgent and what needs to be done first. Information on availability of resources is also collected during this phase. Road show meetings, stakeholder meetings, surveys, opinion polls and researched information form the basis of this phase.

During the second phase, municipalities must formulate best possible strategies to tackle the identified challenges. Critical in this process in order to ensure a focused analysis, the municipal vision must be confirmed and development objectives containing clear statements of what the municipality would like to achieve in the medium term to deal with the problems outlined in the first phase, must be confirmed. Internal transformation needs and Council's development priorities must be taken into account when formulating Council objectives. This process should involve strategy workshops, targeted stakeholder engagements, public hearings, sector Provincial and National Departments engagements, social partners, interest-based groups and organized civil society.

Once the municipality has worked out where it wants to go and what it needs to do to get there, it needs to work out how to get there. Development strategies must then be developed focusing on finding the best way for the municipality to meet a development objective. Once the municipality has identified the best methods and strategies to achieving its development objectives, identification of specific projects must commence.

On the third phase the municipality works on the design and content/specifications of projects identified during the prior phases. Clear details for each project have to be worked out. Clear targets must be set and Performance indicators worked out to measure performance as well as the impact of individual programmes and projects. The identified projects must have a direct link to the priority issues and objectives identified in the previous phase. Municipalities must ensure engagement of internal technical committees, possibly with selected key stakeholders. The needs and views of the affected communities must be taken as a priority. The project technical committees and their subcommittees must be able to distinguish between the strategic municipal wide development programmes and the localized community-level projects.

During the fourth phase, projects have been identified, and the municipality must confirm that the identified projects will achieve the desired impact in terms of addressing the identified challenges and are aligned with the objectives and strategies and comply with legislation. The identified programmes/projects will set the pace and direct the trajectory emanating from the overall picture of the development plans of all the stakeholders, including sector departments and social partners.

The adoption phase, which is the fifth, entails the final process of the IDP review process. The IDP document must be presented to the Council for consideration and adoption.

DRAFTING AND ADOPTION OF MUNICIPAL BUDGET

The drafting of the Municipal budget is regulated in terms of the Municipal Finance Management Act of 2003 (MFMA). S21(1) of the MFMA states that the mayor of a municipality must co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible. In order for the municipal Council to adopt the budget of the municipality, the mayor of the municipality must table the annual budget at a Council meeting at least 90 days before the start of the budget year in terms of S16 (2) of the MFMA, which annual budget must be approved by the Council, in terms of S16 (1) of the same Act, before the start of that financial year.

In order to ensure implementation of the IDP and the budget, S53 of the MFMA requires that the Mayor approves the municipality's service delivery and budget implementation plan (SDBIP) after the approval of the budget. The implementation of the SDBIP must be linked to the performance agreement that must be concluded in terms of the Municipal Manager and managers reporting to him, in terms of Section 57 of the Municipal Systems Act. This measure ensures implementation monitoring and evaluation of performance.

DISTRICT IDP ROADSHOW MEETINGS

The IDP/Budget Road show programme is a key to the functioning of Local Government. Hence one of the Constitutional objects of Local Government is "To encourage the involvement of communities and community organizations in Local Government". Importantly the Constitution promotes community participation to enable the realisation of the following benefits:

- It provides vitality to the functioning of representative democracy;
- It encourages citizens to be actively involved in public affairs;
- It encourages citizens to identify themselves with the institutions of Government; and
- It encourages citizens to become familiar with laws as they are made.

The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) is the primary statute to give Constitutional impetus to the community participation in Local Government fundamentally and it defines the Municipality as a constituent of:

- Its Political Structure;
- Its Administration;
- The community of the Municipality.

Accordingly, the Municipal Council must develop mechanisms to consult the community and community organizations in performing its functions and exercising its powers. Not all types and forms of decision making require the same degree of community participation. In order to avoid any uncertainty about whether or not community participation is critical with regard to certain important Municipal decisions and processes, the Municipal Systems Act provide a non-exhaustive list of important Municipal events in which community participation is particularly important, including:

- The preparation, implementation and review of Municipal IDP;
- The establishment, implementation and review of an Organizational Performance Management System;
- The monitoring and review of a Municipality's Performance, including the outcomes and impacts of such a performance;
- The preparation of the Budget; and
- Strategic decision relating to service delivery

The financial year of South African Municipalities runs from 1 July of each year to 30 June the following year. The law requires the Municipality to consult the community when setting its priorities, developing its plans and allocating resources to priorities through the budget. In August and September in the year before a budget is implemented, the Municipality must get input from communities on what they think of the services they are receiving and any changes in needs and expectations (Chapter 4 of the Municipal Systems Act).

The Municipality then amends its IDP and develops a draft budget. Once this has been done, the Municipality must once again consult the community to ensure that needs and reasonable demands are being met (S. 21 of the MFMA; Chapter 4 of the Municipal Systems Act). If these needs are not met, the IDP and budget may be revised. This should be done between March and April before the financial year starts in June.

Pursuant to the above, King Cetshwayo District Municipality resolved on the Annual Roadshow Programme, where communities including Traditional Leaders (Amakhosi) in the five (5) Local Municipalities are engaged by the District Mayor, Cllr NNP Mkhulisi and accompanying Councillors on their developmental needs and budget related issues. This programme takes place twice a year April/May and October/November across the District, and the issues emanating from there are pivotal in the review of the District IDP and Budget and those of the constituent Local Municipalities.

The IDP/Budget Road show programme of the District aims at improving communication and interaction between the District and the Local Municipalities and the community at large on issues of service delivery, budget related issues and development. In a nutshell, the purpose of the meetings is therefore:

- To afford the community of the Local Municipalities an opportunity to guide the planning and budgeting process of King Cetshwayo District Municipality through highlighting needs important for the development of their respective wards and Municipality at large, which must be the focus of the 2018/19 Financial Year and beyond.
- To assess the extent to which the current programmes/projects' initiatives implemented by respective constituent Local Municipalities, King Cetshwayo District Municipality and Provincial Sector Departments address local developmental needs and concerns.
- To ensure that communities are the key drivers of their own development.
- To provide a platform for the community to participate and inform the IDP of the District, and the development plans of Sector Departments respectively.

During the entire programme, communities raised a plethora of developmental issues within their respective localities and also acknowledged the current interventions by their respective Local Municipalities, District, and other National and/or Provincial Departments.

PLANNING AND LOCAL ECONOMIC DEVELOPMENT

SPATIAL PLANNING & LAND USE MANAGEMENT

In terms of SPLUMA regulations, Municipalities are expected to form MPTs (Municipal Planning Tribunals) that will consider land development applications and in this regard King Cetshwayo, having considered a number of factors including costs, logistical arrangements and efficient utilization of resources opted to adopt the Joint Municipal Planning Tribunal **option** comprising:

- **North:** Incorporating uMhlathuze, uMfolozi and the now dis-established Ntambanana with its seat at uMhlathuze Local Municipality
- **South:** Incorporating Nkandla, uMlalazi and Mthonjaneni with its seat at uMlalazi Local Municipality.

The rights and obligations of the participating Municipalities is governed by Memorandum of Agreements (MOAs) concluded between the municipalities. Both tribunals are fully functional and do meet from time to time to consider applications as and when they are received.

Quarterly reports are filed with Council structures to appraise on all applications and decisions taken by the Tribunals. It is pointed out that all costs associated with the running of the Tribunals in terms of remuneration of external members are born by the District who also have personnel serving as members of the Tribunals in line with the signed MOA with participating municipalities.

Critical Sector plans are developed and reviewed accordingly including the Spatial Development Framework which was adopted in 2016 and scheduled for review in the 2019/20 financial year. An Environmental Management Framework (EMF) has recently been finalized and is due for approval during the early part of the second Quarter of 2019/20 financial year. A Comprehensive Integrated Transport Plan (CITP) is in the process of being developed and is due for finalization in the 2021/22 financial year.

ALIGNMENT WITH NATIONAL KEY PERFORMANCE AREAS

THE FIVE NATIONAL AND SIX PROVINCIAL PRIORITIES INCLUDE THE FOLLOWING:

National and Provincial Priorities

NATIONAL AND PROVINCIAL PRIORITIES		KCDM GOAL NO	KING CETSHWAYO GOAL
1	Job creation (Decent work and Economic growth)	5	Radical Local Economic and Rural Development and Food Security
2	Education	6	Social Services, Human & Community Development Liaison with the Dept of Education
3	Health	6	Social Services, Human and community Development Liaison with the Dept. of Health
4	Rural development, food security and land reform	5	Radical Local Economic and Rural Development & Food Security
5	Fighting crime and corruption	7	Good Governance and Public Participation
6	Nation-building and good governance (State of KZN Province Address)	7	Good Governance and Public Participation

DISTRICT GROWTH AND DEVELOPMENT PLAN (DGDP)

District has reviewed and adopted its District Growth and Development Plan in consultation with all stakeholders to ensure that it is aligned with the Provincial Growth and Development Plan and eventually the national Development. Of significance is the fact that its horizon has been extended to 2035 and all strategic objectives aligned to Provincial ones for ease of alignment. This review also allows for seamless implementation through municipal IDPs with quarterly reports submitted to Council structures on progress.

MUNICIPAL TRANSFORMATION & ORGANISATIONAL DEVELOPMENT ANALYSIS

Institutional Arrangements

VOTE	DEPARTMENT	SERVICE
	Municipal Manager	
Executive & Council		Board General Expenses
Executive & Council		Department of the Municipal Manager
	Planning & Economic Development	
Planning & Development		Economic Development
Planning & Development		Planning Shared Services
Planning & Development		Development Planning & Environment
Planning & Development		Fresh Produce Market
Planning & Development		Executive Division - Planning & Development
	Community Services	
Community Services		Executive Division - Community & Social Services
Community Services		Community Services Division
Community Services		Technical Facility - Cemetery
Public Safety		Fire Fighting Services (Shared Services)
Public Safety		Disaster Management
Municipal Health		Municipal Health Services
	Corporate Services	
Executive & Council		Executive Division - Corporate Services
Executive & Council		Administrative Services Division
Finance & Administration		Management Services/Human Resources
Finance & Administration		Information & Communication Technology
Finance & Administration		Auxiliary Services - King Cetshwayo House

VOTE	DEPARTMENT	SERVICE
	Financial Services	
Finance & Administration		Executive Division – Financial
Finance & Administration		Expenditure
Finance & Administration		Procurement (SCM Unit)
Finance & Administration		Budget
Finance & Administration		Finance Interns (FMG)
Finance & Administration		Management Accounts & Reporting
Water		Consumer Billing & Credit Control
	Technical Services	
Water		Executive Division – Technical
Water		Municipal Infrastructure – Operations & Maintenance
Water		Municipal Infrastructure Implementation
Water		Project management Unit – MIG
Water		Water Services Authority Division
Water		Water Services Authority Division - SSA
Water		Operations & Maintenance - Western Region (KZ285 & KZ286)
Water		Operations & Maintenance - Southern Region (KZ284)
Water		Operations & Maintenance - Eastern Region (KZ281 & KZ283)
Waste Management		Technical Facility Services - Landfill
Waste Water Management		Waste Water Management

SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN (SDBIP)

The SDBIP links the Performance Management System (as required under the Municipal Systems Act) with the budget and the IDP. Thus the strategic direction mapped out in the IDP is matched with financial resources and delivery of services as specified in the PMS. The requirement for an SDBIP is stated in the MFMA, Section 69.3(a) and is the responsibility of the Accounting Officer or the Municipal Manager. It can of course be delegated under Section 79. Put simply the SDBIP allows the budget to be implemented fully as it identifies:

- The Strategic Imperative – Through links with the IDP.
- The Financial Imperative – Through links with the budget.
- The Performance Imperative – Through links to the PMS.

DISTRICT LOCAL ECONOMIC DEVELOPMENT

King Cetshwayo District Municipality has its vision as follows;

“By 2035 King Cetshwayo District Municipality will be a cohesive; economically viable district, with sustainable strategic infrastructure; supporting job creation through radical economic transformation rural development and promotion of our heritage.”

This vision places high responsibility on the department of District Economic Development, which must ensure that there is sustainable Economic Growth achieved and that there is job creation and rural development. The department of Economic Development is then subdivided into the following areas to achieve its Mandate:

- SMME Support and Development
- Tourism
- Agriculture
- Film and Photography

These are the projects that the Section of Local Economic Development has been implementing in the 2018/19 Financial Year.

SMME 2018/19 SUPPORT INITIATIVES

PROJECT NAME	PROJECT DESCRIPTION	COMPLETION DATE
SMME Support	Gazebos for Informal Traders	2 nd and 4 th Quarter
LED Support	SMME Training/Workshop at Nkandla and uMhlathuze LMs	2 nd and 3 rd Quarter
Artisan Development	DACT Incubation Programme Graduation for SMMEs who have completed the incubation	4 th Quarter
Annual Summit	SMME Fair at uMfolozi Local Municipality. To engage and share information to SMMEs	2 nd Quarter
Black Industrialist	Equipment procured for SMMEs in the manufacturing industry – The Artisans	4 th Quarter
Economic Symposium	Partnership with RBIDZ and uMhlathuze LM for the annual SMME information sharing Session	3 rd Quarter

LOCAL ECONOMIC DEVELOPMENT AND SMME'S

The Economic Development Unit (EDU) is mandated to promote economic development council, job creation, economic transformation and economic intelligence within the District.

It is guided by policies established by National and Provincial Government and articulates the approach to economic development through the Municipality's Integrated Development Plan (IDP) and Local Economic Development Strategy, from which all activities are guided by, but not restricted to, as the unit also responds to the broader challenges facing the greater region by endorsing other initiatives such as the National Development Plan (NDP).

The section is therefore broken down as thus:

SMME SUPPORT AND DEVELOPMENT

The SMME support component deals with the development of small businesses and capacity building for their participation in the bigger economic mainstream. In this regard the section offers financial and non-financial support to SMMEs on our database, such that the municipality assists with procuring necessities needed by SMMEs to increase their production. In essence the section assists with reducing costs of production so that the profit margins of SMMEs may be increased and jobs be created. The section works closely with other government departments to achieve its economic objectives such departments include, EDTEA, COGTA, Small Business Development (DSBD).

This component also identifies economic opportunities on behalf of the youth and women and procures necessary resources for the identified unemployed youth and women, whom are assisted to form cooperatives and be introduced to running successful businesses.

2018/19 INITIATIVES

Local Economic Development Forums:

- The District Economic Development forum is established in terms

of the Inter-Governmental relations act and holds its forums on a quarterly basis.

- The purpose of the forum is to discuss plans for the financial year with Local Municipalities with the purpose of aligning projects and enhancing partnerships.
- KCDM as a district is responsible for coordinating and governing the meetings of the forums.

ECONOMIC DEVELOPMENT SYMPOSIUM 2019

King Cetshwayo District Municipality hosts an Economic Development Symposium. This event is held annually. The 2019 District Economic Development Symposium will be partnering with uMlalazi LM, RBIDZ and NYDA to engage with the youth in business and share information to empower and develop them.

The purpose of the event is to engage with SMMEs, public and private sector about challenges, opportunities and programmes that are initiated to assist and enhance economic growth.

INFORMAL TRADERS

It is through our engagements with informal traders and local municipalities that the department has identified the challenges faced by informal traders where they work. The key priority for this financial year having noted and appreciated the efforts by sector departments and local municipalities in constructing market stalls for traders, there remain a number of traders who are not accommodated, hence by supporting traders with more market stalls it will be easier for them to deal with the challenges they face.

ARTISAN DEVELOPMENT

This is an annual incubation programme for artisans who have the skill and experience but require accreditation, and certificates for compliance as well as more technical skills. This programme is a three year programme and assists greatly in job creation as well as SMME Development.

BLACK INDUSTRIALISTS

This is a transformation programme which promotes industrialization specifically by black owned manufacturing businesses. Support and empowerment of black industrialists gives opportunity to employment opportunities, growth and sustainability.

GREEN ECONOMY PROJECT

This programme is about initiating and finding opportunities that do not destroy the environment. With this programme the district wants to support those individuals who are in the recycling business as well as ensuring that SMME's within the District are aware of the opportunities that are there in going green.

AGRICULTURE 2018/2019

Agriculture has been highlighted as having the potential to address unemployment through primary production and value adding. The Agricultural Support Plan prioritised Livestock, Dry Crops (Beans and Maize), Vegetables, Aloe, Essential Oils. These were identified as they have a possibility to change lives around quickly and the impact they may have on labour intensive job creation potential.

FARMER SUPPORT INITIATIVES

PROJECT NAME	PROJECT DESCRIPTION	COMPLETION DATE
Farmer Support	Provision of beetroot, butternut, beans, onions & spinach seedlings and garden tools	1 st - 4 th Quarters
Farmer Support	-Provision of 2000 Broilers and feeds to 11 Cooperatives.	2 nd - 3 rd Quarters
Forestry Programme	Provided 10 chainsaws and related safety clothing to small scale forest growers.	4 th Quarter
Amakha Essential Oils Project	Implementation of 20 hectares of Rose Geranium Essential Oil under Ward 17 in Umfolozi Local Municipality. The Project is funded by EDTEA with R2.8 million and RBM with R10 million.	Continuous project

POULTRY CAPACITATION WORKSHOP

A Poultry Capacitation Workshop was conducted in partnership with World Poultry Foundation and DARD to 30 members of the cooperatives that benefited in the poultry provision. The people were capacitated in Financial Management and Business Management.

DAIRY PROCESSING TRAINING

The district conducted the training of 33 people who were trained to produce amasi, yoghurt and feta cheese. The aim of the training was to develop the communities to enter into the processing sector in order to grow the economy of the district and to increase employment opportunities.

ESSENTIAL OILS SYMPOSIUM 2018

King Cetshwayo District Municipality hosted the Essential Oils Symposium on 7-8 November 2018, under the Theme: "How can

Women use Industrial Crops as a Pathway to create sustainable Livelihoods in Rural Communities". It was attended by 200 delegates which included different stakeholders and international markets for essential oils.

The purpose of the event was to engage with different stakeholders, public and private sector about opportunities and markets that are available to assist and enhance economic growth in the essential oils as a product.

TOURISM

Tourism has the ability to spread benefits to remote and impoverished areas and local government has a critical role to play in the development of tourism, creating a favourable environment for job creation. The tourism mandate has been outlined in the Municipal Structures Act and it is within this regulatory environment that we have undertaken many different projects and actions.

MARKETING:

1. DOMESTIC CONSUMER SHOWS

Shows exhibited at in the 2017/18 financial year were:

Essence Festival	29 September 2017	Durban Business Fair
uMhlathuze Beach Festival	16 December 2017	Alkantstrand, Richards Bay
Tourism Indaba	8 - 10 May 2018	Durban ICC
WTM Africa	18 - 20 April 2018	Cape Town

2. TOURISM INDABA

The Annual Tourism Indaba was held from 8 - 10 May 2018 at the Inkosi Albert Luthuli International Convention Center, Durban. This is Africa's biggest Tourism Event and it is important to note that King Cetshwayo did exhibit at this event, providing a platform for SMME's to showcase their products and doing business with travel agencies around the world. The tourism indaba is well established as the biggest and most widely representative gathering of Africa's travel and tourism sector.

3. TOURISM EVENTS:

3.1 UMHATHUZE BEACH FESTIVAL

The Beach Festival was held on 16 December 2017 at Alkantstrand in Richards Bay targeting the domestic market and promoting family tourism. The event ensured economic spin offs for business in the area. Local crafters and traders were provided with a platform to promote the region whilst stimulating the economy. The event included performers entertaining crowds, sports activities, local arts and crafts, and fun for young children.

3.2. TOURISM MONTH

Tourism month was celebrated at the Boardwalk Inkwazi shopping centre from 15 September to 17 September 2017. The Tourism Section assisted 24 crafters that exhibited in the centre during September 2017. Tables and chairs with table cloths were made available as well as storage space for their craft items. Accommodation was also provided to crafters from other local municipal areas.

Tourism participated in the Boardwalk Inkwazi tourism Indaba by making available collateral distributing brochures and offering information. Product owners and tourism associations also exhibited during this time.

4. KING CETSHWAYO COMMEMORATION

King Cetshwayo District Municipality has partnered with various stakeholders and communities to participate in the 3rd annual King Cetshwayo Commemoration day. The District supported the event with an aim to create awareness. The events were planned on different days and included a tour to all historical sites that can be connected with King Cetshwayo.

5. WOMEN IN TOURISM

The Women in Tourism workshop was held in Durban on 24 August 2017 hosted by the National Department of Tourism. The main aim of

the conference was to reflect on the journey travelled thus far and as women in the industry continue efforts in making the tourism industry an industry that stands up to give women the accolades and recognition for their hard work and continuous dedication.

6. CRUISE SHIP

The season for cruise ships is between October to March every year. The District assists the tourists with information and attractions around the district. The Tourism unit provides an information office using the mobile caravan as its office.

The ship agents from Cape Town have also requested information desk assistance on board the ships during their stay.

During the cruise ship season, the District supports crafters by involving them to sell their craft work to the tourists that are from different Countries and they benefit a lot when they are at the harbour. For the second quarter, about 170 crafters were supported by being involved in selling their products to the cruise ships passengers.

PROJECT OBJECTIVES

- Increase passenger liner arrivals;
- Manage, facilitate and coordinate cruise ship arrivals;
- Plan and develop a mixed-use facility at the small craft harbour.

7. CRAFT MARKETING AND DEVELOPMENT

Tourism is a multifaceted sector consisting of both informal and formal enterprises with numerous subcategories. The art and craft sector is an integral part of the travel and tourism- SMME economy. The craft industry represents a special category of tourism (SMMEs). The following service delivery targets and performance aspects were undertaken.

Various workshops with crafters were held with crafters from the district.

- 24 Crafters were assisted exhibiting and selling their craft during the Tourism Indaba hosted by the Boardwalk Inkwazi Shopping Centre
- Approximately 60 crafters were assisted with exhibiting in the harbour during the cruise ship season September - March.
- Training to 18 Crafters from all local municipalities was organized to equip them with business skills. Topics covered were effective communication skills, costing/pricing of products, bulk orders, quality control of products, committee skills and teamwork and product development.

FILM AND PHOTOGRAPHY ACTIVITIES: 2018/19

King Cetshwayo District Municipality, through the Planning and Economic Development Department, implements Film & Photography programmes in order to develop the Film & Photography industry. The Film & Photography is mandated to position King Cetshwayo as "The Ultimate Film Production Destination" and to facilitate the development of the District's Film and Photography industry.

The role of Film & Photography is to position King Cetshwayo District as a globally competitive, diverse and a one-stop prime environment for the successful development of the industry. Film & Photography is also responsible for facilitating and coordinating on-location filming within King Cetshwayo District. One of the primary focus in Film & Photography is to issue Film Permits to National and International Film Productions interested in the use of District Locations. Film & Photography provides a creative platform and economic opportunities for established and emerging Film and Photography SMME's and creatives at large from marginalized communities and cultural backgrounds.

16 APRIL 2019: FILM AND PHOTOGRAPHY DISTRICT FORUM LAUNCH

The Film and Photography Sector launched a District Forum in order to establish a formal structure for District Filmmakers which will be a platform to gather and engage on matters affecting the film industry in our district.



DURBAN AND JOHANNESBURG TRAINING DEVELOPMENT INITIATIVE

The Planning and Economic Development Department through the Film and Photography sector planned a Human Capital Development initiative which took place on 15 - 17 May 2019 in

Durban and another one in Johannesburg which took place on 22 - 25 May 2019 which was designed at achieving the following objectives:

- Empowering King Cetshwayo District Filmmakers with a training and development opportunity to improve their filmmaking skills,
- Offering district filmmakers with a premise to benchmark their filmmaking standard from highly established film industries and learn from them,
- Exposure to the best resources, facilities, post-production suites, studios and cinema of the highest standard and learn how filmmaking is executed in other provinces
- Allow district filmmakers an opportunity to engage with filmmakers from other cities in order to establish partnerships, co-productions and build relationships with other filmmakers, people who share similar interests.



**Durban Delegation On Location At
The Set Of Uzalo Production**



**Johannesburg Delegation At Constitution Hill -
The Set Of Lockdown Tv Series**

NEXT BILLIONNAIRE TV SERIES

The Next Billionaire is a local content business TV show which was produced and directed by a Black Female Entrepreneur Film Director and Producer. The Next Billionaire Show is a concept that was created by a Film Producer who used Motion Picture as a medium to profile District SMME's.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Constitution section 151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community.

POLITICAL STRUCTURE: 2018/2019



MAYOR: CLLR NNP MKHULISI: Chairperson of Executive Committee; Chairperson of Finance Portfolio Committee



DEPUTY MAYOR CLLR AH MTHEMBU: Chairperson of Corporate Services Portfolio Committee



SPEAKER CLLR KER HADEBE: Chairperson of Council, Chairperson of Rules Committee



CHIEF WHIP CLLR IT GCABASHE

2.1. POLITICAL GOVERNANCE



The Office of the Speaker is amongst other things, charged with the responsibility of contributing towards ensuring that community members are able to enjoy their rights as espoused in the Constitution through affording them the opportunity to fully participate in the delivery of services. The Office of the Speaker manages this process through the councillors who have all been empowered, through training and experience, to execute their responsibilities maximally. Each councillor is an effective agent of change that rallies the community around the projects being undertaken.

SPEAKER CLLR KER HADEBE

Executive Committee Members:

- Cllr. NNP Mkhulisi – District Mayor
- Cllr. AH Mthembu – District Deputy Mayor
- Cllr. CPG Cele
- Cllr. JD Vilakazi
- Cllr. TVB Mchunu
- Cllr. IJ Naidoo
- Cllr. ES Mbatha

COUNCIL MEMBERS

NNP MKHULISI	AH MTHEMBU	KER HADEBE
JD Vilakazi	CPG Cele	T Mchunu
PG Dlolane	FC Xulu	IJ Naidoo
IT Gcabashe	N Naidoo	MM Ngobese
NC Mthlale	JM Mathaba	ES Mbatha
TO Ndhlela	M Mtshali	S Mgenge
ZD Mfusi	X Bhengu	BM Mkhize
MG Mhlongo	SG Mkhize	PT Mbatha
M Lourens	DJ Ndimande	KD Sibiya
KE Ndlovu - Nkosi	JZ Mabuyakhulu	CG Mkhulise-Khumalo
SP Mthembu	TB Zulu	CT Dlamini
BP Simelane	NL Ngidi	SS Cele
MJ Xulu	EM Masikane	NR Xulu
TF Nxumalo	NPN Magubane	

TRADITIONAL LEADERSHIP

In terms of Section 81 of the Municipal Structures Act, Act 117 of 1988, the participation of traditional leaders in Municipal Councils has been implemented at King Cetshwayo District Council. The Traditional leaders serving on the King Cetshwayo District Municipality Council are as follows:

NAME OF TRADITIONAL LEADER	TRADITIONAL AUTHORITY
VT Dube	Kholweni
BS Mthembu	Somopho
ZD Mpungose	Mpungose
SR Biyela	Mombeni
V Biyela	Yanguye
BS Shezi	Chube
MT Zuma	Nxamalala
MM Mkhwanazi	Mkhwanazi

2.2. ADMINISTRATIVE GOVERNANCE

TOP ADMINISTRATIVE STRUCTURE

TIER 1

MUNICIPAL MANAGER

MRS MBT NDLOVU (Appointed 01 November 2018)

DMM: Technical Services, Mr NE Biyase was the Acting Municipal Manager for the period: July-October 2018.

TIER 2

DEPUTY MUNICIPAL MANAGER: COMMUNITY SERVICES: MRS TF MNGUNI

DEPUTY MUNICIPAL MANAGER: FINANCIAL SERVICES: MRS MC REDDY

DEPUTY MUNICIPAL MANAGER: CORPORATE SERVICES: VACANT

DEPUTY MUNICIPAL MANAGER: TECHNICAL SERVICES: MR NE BIYASE

DEPUTY MUNICIPAL MANAGER: PLANNING AND ECONOMIC DEVELOPMENT: MS Z MBONANE

- MUNIMEC, chaired by the MEC for Cooperative Governance – KZN,
- Political Change Management Committee and
- Provincial Communicators Forum
- Provincial IDP Forum
- Provincial Public Participation Forum
- SALGA IGR & Governance Forum
- Provincial AIDS Council
- Provincial Batho Pele Forum

Various other provincial structures dealing with Corporate Governance, Human Resources, Legal Services, Finance, Marginalised Groups, Operation Sukhuma Sakhe, Infrastructure, Tourism and Economic Development.

The following structures were formalized internally:

DISTRICT INTERGOVERNMENTAL FORUM (DIF) / DISTRICT MAYOR'S CO-ORDINATING FORUM

The DIF exists to facilitate IGR between the District Municipality and the Local Municipality in the district. According to the adopted Terms of Reference, the King Cetshwayo DIF consists of the Mayor of the King Cetshwayo District Municipality; and the Mayors of Local Municipalities in the district and any other member invited by the District Mayor. The DIF has the following standing items on the Agenda:

- Matters referred to and arising from the PIF
- Matters referred to and arising from Provincial IGR forum
- Matters regarding traditional leadership
- Matters submitted by local municipalities
- Matters from the Technical committee
- IGR progress report from the Technical committee
- Monitoring and Evaluation

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3. INTERGOVERNMENTAL RELATIONS

King Cetshwayo District Municipality institutionalised its existing IGR structures in the past financial years, in compliance with the Intergovernmental Relations Framework Act, 2005. The District is represented provincially at the following structures:

- KZN Premier's Coordinating Forum,



TECHNICAL SUPPORT FORUM (TSF) OR TECHCOM

The role of the technical support structure is to provide technical support to the DIF and to prepare for decision-making in the political structure. The purpose of the King Cetshwayo TSF is to discuss management and implementation matters of a district wide nature and also to monitor the sub committees of the TSF. The forum is made up of all the Municipal Managers from the Local Municipalities and the Municipal Manager of the King Cetshwayo District Municipality, who is also the chairperson of the forum.

Only issues which cannot be resolved at this forum shall be escalated to DIF. The agenda should include the items which are to serve at the DIF.

The following sub-committees have been established in terms of the IGR Act:

- Technical Infrastructure forum
- District Planners Forum
- Corporate Services Forum
- District Communications Forum
- Community and Social Services Forum
- District Area Financial (CFO) Forum
- Speakers Forum

IGR FORUM MEETINGS 2018/2019:

The District Intergovernmental Forum (DIF) is supported by the Technical Support Forum (TSF) and various sub-fora convened by the different business units and departments of the municipality. Each forum meets at least quarterly, and the minutes of such meetings are escalated to the TSF and DIF respectively.

The report on IGR meetings convened in 2018/2019 is tabulated below:

IGR FORUM 2017/2018	Q1 2018/19	Q2 2018/19	Q3 2018/19	Q4 2018/19	CHAIRPERSON
DIF - Mayors Forum	08 Aug 2018	30 Nov 2018	21 Feb 2019	24 June 2019	District Mayor Cllr NNP Mkhulisi
TSF - MM Forum	15 Aug 18	20 Nov 18	27 Feb 2019	Postponed - to lack of quorum	Municipal Manager Mrs M Ndlovu
DAFF - CFO Forum	05 Sept 2018	05 Oct 2018	06 Feb 2019	20 June 2019	Mrs C Reddy
District Communicators Forum	16 Aug 2018	18 Oct 2018	14 Feb 2019	29 May 2019	Mr V Mahaye
Corporate Services Forum	12 Sept 2018	16 Oct 2018	27 Feb 2019	22 May 2019	Mrs TF Mnguni
Community Services Forum	17 Aug 2018	09 Oct 2018	25 Feb 2019	12 April 2019	Mrs TF Mnguni
DED Forum	23 Aug 2018	23 Nov 2018	22 Feb 2019	Postponed - lack of quorum	Dr Z Nhlabathi
Planners Forum	14 Sept 2018	7 Dec 2018	8 Mar 2019	07 June 2019	Mr W Mpofu
Speakers Forum	12 Sept 2018	15 Nov 2018	28 Feb 2019	25 June 2019	District Speaker Cllr KER Hadebe
Technical Infrastructure Forum	22 Aug 2018	07 Nov 2018	21 Mar 2019	26 June 2019	Mr N Biyase
EPWP Forum	10 Aug 2018	03 Dec 2018	28 Feb 2019	14 June 2018	Mr N Biyase

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4. PUBLIC PARTICIPATION

The District Speaker is responsible for public participation, whereby the Council works to empower local communities to have control over their own lives and livelihoods. Public participation is designed to promote the values of good governance and human rights. Public participation acknowledges a fundamental right of all people to participate in the governance system.

The Municipal Systems Act 2000 defines "the legal nature of a municipality as including the local community within the municipal area, working in partnerships with the municipality's political and administrative structures... to provide for community participation".

Section 16(1) requires the municipality to develop 'a culture of municipal governance that complements formal representative government with a system of participatory governance'.

According to the Systems Act: Section 4 (c) (e), the council has the duty to...

- (c) encourage the involvement of the local community
- (e) consult the community about the level quality, range and impact of municipal services provided by the municipality, either directly or through another service provider

5 (a) Members of the community have the right...

- (b) to contribute to the decision-making processes of the municipality and submit written or oral recommendations, representations and complaints to the municipal council...
- (c) To be informed of decisions of the municipal council.
- (d) To regular disclosure of the affairs of the municipality, including its finances

Section16 (1):

- (a) Encourage and create conditions for the community to participate in the affairs of the municipality, including in the IDP, performance management system, monitoring and review of performance...preparation of the budget, strategic decisions re municipal services
- (b) Contribute to building the capacity of the local community to participate in the affairs of the municipality and councillors and staff to foster community participation...

Section 42:

A municipality, through appropriate mechanisms, processes and procedures... must involve the local community in the development, implementation and review of the municipality's performance management system, and in particular, allow the community to participate in the setting of appropriate key performance indicators and performance targets of the municipality

Among the functions that the district fulfils are:

- District-wide integrated development planning;
- Infrastructural development and bulk service delivery;
- Capacity-building of local municipalities;
- Administrative assistance to local municipalities, where capacity is not yet established.

2.5. STAKEHOLDER RELATIONS AND COMMUNICATIONS

The Stakeholder Relations Section is responsible for the following:

- To promote community participation in local government;

- To promote synergies with the private and public sector to market the district;
- To improve the municipality's public image by communicating in a transparent, effective and pro-active manner;
- Implementation of Batho Pele
- Intergovernmental Relations, inclusive of chairing the District Communicators Forum and facilitating all other IGR Forum meetings in the organisation
- Public Relations

The section is broadly responsible for the facilitation of public events and community events for the municipality, as well as maintaining open communication with both internal and external stakeholders. The Section also facilitated the hosting of various events to commemorate landmark projects.

This included the State of the District Address (SODA), in the uMfolozi Municipality on 22 June 2019. The SODA 2019 was held so that the District Mayor could share with the public and other stakeholders the highlights of the 2019/2020 budget as well as the achievements of the new Council during the 2018/2019 financial year.

PUBLIC INFORMATION PROGRAMMES:

A number of different communication tools were used to promote the King Cetshwayo District Municipality in the public arena as part of the communications strategy.

ROADSHOWS

Fourteen (14) IDP/Budget roadshows were held between October 2018 to May 2019, involving a multi-functional team of our political leadership and officials from the various departments dealing with service delivery. The target audiences included specific wards within the five local municipalities, the District House of Traditional Leaders, the corporate and business sector, and the various district branches of the provincial government. The purpose of the roadshows was to communicate King Cetshwayo's multi-year budget and Integrated Development Plan to the communities it serves, with the objective of achieving community participation in the budget and IDP. The roadshows also served to create an awareness of the functions and powers of the district municipality and helped engender a culture of payment for services. A cross-section of role-players, including ward committee members, councillors, community liaison officers and municipal officials attended each roadshow, with pre-publicity being done by means of broadcast messages via social media, newspaper adverts and mobilisation by the district's Public Participation staff and ward Councillors. The roadshows received a tremendously positive response from communities throughout the district.

ROADSHOW DATES ROUND 1	LM NAME/ SECTOR	WARD/ PLACE	VENUE
21/09/2018	Mthonjaneni LM	Ward 03	Mkhindini Sportsfield
26/09/2018	Amakhosi	District	Council Chambers
28/09/2018	City of Umhlatuze	Ward 03	Richards Bay
09/10/2018	Umfolazi LM	Ward 06	Mzingazi Sportsfield Inkosi Mbuyazi
12/10/2018	Corporate & Government sectors	District	Council Chambers
17/10/2018	uMlalazi LM	Ward 5	Ngudwini Sportfield
23/10/2018	Nkandla LM	Ward 11	Mtshwili Open field

ROADSHOW DATES ROUND 2	LM NAME/ SECTOR	WARD/ PLACE	VENUE
04 April 2019	Amakhosi Roadshow	District	District Council Chambers
09 April 2019	Corporate/Govt Sector	District	District Council Chambers
11 April 2019	Umfolazi LM	09	Dondotha Sports Field
18 April 2019	City of uMhlatuze	31	Macekane Sports Field
23 May 2019	Umlalazi LM	23	Ekudonseni Sports Field
02 May 2019	Nkandla LM	14	Ntolwane Sport Field
03 May 2019	Mthonjaneni LM	10	Mabhensa Sports Field

IZINDABA EZIMTOTI

Our monthly external newsletter Izindaba Ezimtotti has proven to be an invaluable communication tool, containing interesting articles and dynamic photographs depicting events, activities and information relating to the district. Copies of the Ezimtotti are printed each month and distributed to businesses in Empangeni, Richards Bay, Kwambonambi, Mtunzini, Eshowe and Melmoth, as well as the offices of the five local municipalities.

EZISEMATHENI

A monthly staff newsletter, the Ezisematheni is distributed internally to all employees of the municipality, carrying staff news and policies.

BATHO PELE

The district conforms to the principles of Batho Pele and the Public Relations Officer serves as the Batho Pele Coordinator for the District, attending the quarterly meetings of the Provincial Batho Pele Forum.

POLICIES AND STRATEGIES

The following policies and strategies have been approved by Council in support of the functions and responsibilities of the section:

- Communications Strategy 2014-2019
- Stakeholder Management Policy
- Batho Pele and Complaints Management Policy

COMPONENT D: CORPORATE GOVERNANCE

2.6. INFORMATION TECHNOLOGY

IT GOVERNANCE

The responsibility for implementation and monitoring of the information technology governance and security and related frameworks is delegated to the Information Technology (IT) section within the Corporate Services Department (CS: IT).

The IT Strategy Plan is reviewed annually to ensure that it stays relevant and is supportive of the Integrated Development Plan (IDP) and approved IT budget.

The updating of policies and procedures are an ongoing exercise throughout the year. Through the use of our Internal Auditors and the CS: Legal Section, the IT Section is able to ensure that policies meet the standards of Best Practice. The IT section is assisted by the Manager: Security and Governance in policy formulations and procedures for IT Governance as well as IT Security matters. Information and Communication Technology Operational Service Agreement (ICTOSA) was introduced during the previous financial year. There has been since, active participation from all departments in the organisation, in order to ensure that the ICT section indeed provides the required agreed services.

IT STEERING COMMITTEE

The IT Steering Committee (ITSC) is a mechanism that assists those responsible for IT, to ensure that ongoing IT operations and systems are aligned with the Strategic/Master Plan and ultimately the IDP. In addition, IT related risks, projects, audit issues and required system changes are managed by the ITSC. The ITSC is chaired by the Municipal Manager and assisted by the IT Senior Management team and Deputy Municipal Managers from each of the Departments. The IT Steering Committee is convened at least once a quarter. The ITSC has extended the Terms of Reference in order to assist with the IT related issues for Entity.

IT RELATED PROJECTS

During the past year, the quest for a paperless office continued, with the development of electronic portals that facilitate the paperless office. Although there is still much work to be done, good progress has been made. One of the initiatives includes an Employment Self Service (ESS) portal which is linked to the payroll and Human Resource system. The ESS system is fully functional and currently in use at the head office and a few of the offsite offices that have WAN connectivity to main site. HR and IT section worked together in successfully providing ESS training and implementation of IT KIOSKS for ESS access at Eshowe, Gingindlovu and Nkandla. IT KIOSKS were provided to assist the employees who do not occupy offices to be able to access ESS. The other initiative for paperless that has commenced during this financial year was to automate the workflow process for the submission process.

The Implementation of Free Open Source Software (FOSS) is continuous in each financial year. During this year the FOSS tool that was implemented was the PDFSAM to assist with the

administration of PDF documents. This tool is currently used by the Public Relations section

Lastly, improvements continued with the security system by deploying the Bio-Metric Security access system for satellite offices i.e. Empangeni, Mthunzini and Eshowe. This will be deployed to the remaining sites that have WAN connectivity. Wide Area Network (WAN) connectivity consists of dedicated data links. These links facilitate data communication between KCDM's head office with other offsite offices located within the District. the District ICT Forum is coordinating the District WAN connectivity project and gathering information using Google Maps. These maps show the linkages to each of the Local Municipalities (LM's) and connected areas within each of the municipalities. It is hoped that the co-ordination will lead to synergy amongst the LM's and ultimately result in each of the LM's being connected to each other. The recent site to be added to WAN connectivity is Ekuphumuleni water treatment plant.

2.7. SUPPLY CHAIN MANAGEMENT

Key Performance Areas

- Compliance with legislation
- Management of risk
- Develop and implement sound internal controls
- Review, amend and implement the District's Supply Chain Management policy
- Annually review and effect changes if applicable to the SCM Policy.

The procurement in the municipality is according to the Supply Chain Management Policy and Supply Chain Management Regulations pertaining to the Municipal Finance Management Act. The municipal procurement is carried out in a manner that is fair, transparent, cost effective, competitive, equitable and considers the organisation's financial and social responsibilities. The journey to achieving the goals of National Treasury and compliance with National and Provincial Government legislation could be considered to be highly regulated, however we have been successful in the formation of a supply chain management policy and the implementation thereof.

The tables below depict the volume of supply chain management transactions processed during the financial year.

The graphs show the trends during the Financial Year.

Procurement

Analysis of Quantity of orders:

TABLE 1 QUANTITY OF ORDERS PROCESSED - JULY 2018 - JUNE 2019				
MONTH	R1 - R 30 000	R30 000,01 - R200 000	ABOVE R200 000	TOTALS
Q1	2 354	166	26	2 546
Q2	962	65	9	1 036
Q3	669	44	4	717
Q4	970	86	8	1 064
Totals	4 955	361	47	5 363
%	92%	7%	1%	100%

Figure 1 - Trend in quantity of Total orders and commitments

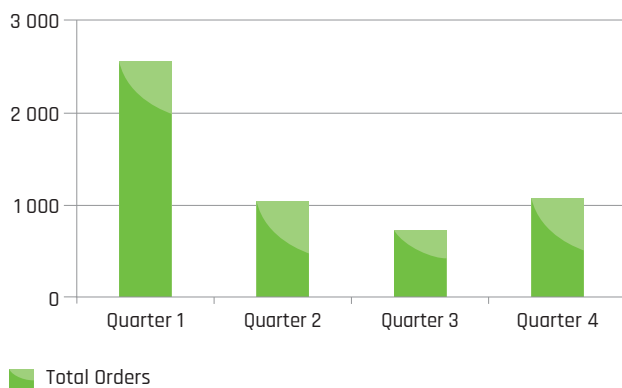


TABLE 2 - OVERVIEW OF VALUE OF ORDERS PROCESSED				
DATE	VALUE OF ORDERS			
TABLE 8 - OVERVIEW OF VALUE OF ORDERS PROCESSED (JULY 2014 - JUNE 2015)	R1 - R 30 000	R30 000,01- R200 000	ABOVE R200 000	TOTALS
Q1	R 6 434 290,75	R 3 203 101,06	R 1 137 680,00	R 10 775 071,81
Q2	R6 894 823,13	R6 629 714,54	R4 187 575,56	R17 712 113,23
Q3	R4 439 374,93	R3 526 226,56	R1 619 179,85	R9 584 781,34
Q4	R8 359 798,94	R7 912 282,21	R3 477 773,10	R19 749 854,25
Total	R 26 128 287,75	R 21 271 324,37	R 10 422 208,51	R 57 821 820,63
%	45%	37%	18%	100%

Figure 2 - Trend in Value of Total orders

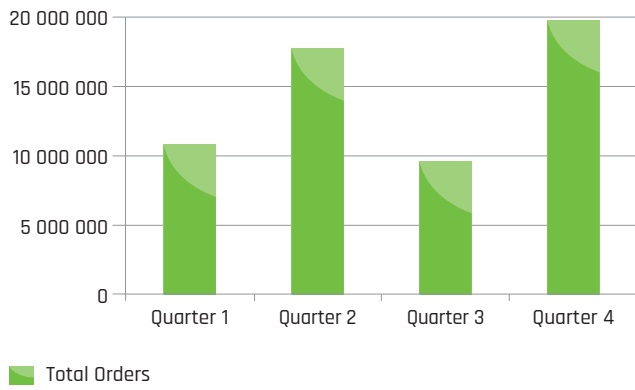


TABLE 3 - NUMBER AND VALUE OF DEVIATIONS		
PERIOD	CURRENT FINANCIAL YEAR 2018/19	
	NUMBER OF DEVIATIONS	VALUE OF DEVIATIONS
Q1	43	13 232 153
Q2	37	18 071 259
Q3	39	20 862 727
Q4	58	63 241 807
Total	177	115 407 945,67

Table 3 illustrates the Value and Quantity of Deviations.

Figure 3 - Trend in Quantity of deviation for 2018/19 Financial Year

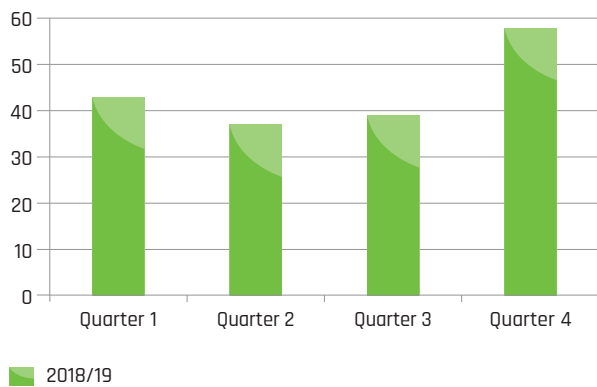
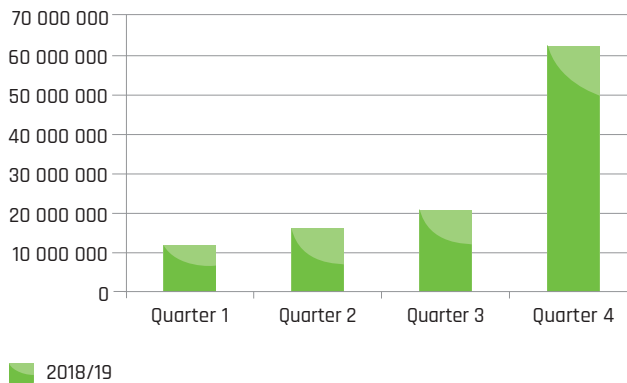


Figure 3 - Trend in Quantity of deviation for 2018/19 Financial Year



The following reasons contributed to the deviations in June 2019:

The tender for provision of plant hire and waste management services for King Cetshwayo regional landfill site at Empangeni has been finalised. The new service provider commenced on 01 June 2019.

The user department has performed the security risk assessment for the whole municipality, which has assisted in formulating the specification of the new tender.

Tender for provision of water tanker service was awarded, however an objection was received, after a notice for the intention to award was issued. The matter was submitted to the Municipal Bid Tribunal and was ruled in favour of KCDM. The company that objected was not satisfied and the matter was referred to the court.

It must also be noted that the deviations are high in the month of April 2019 due to the appointment two service providers to deal with Thubalethu Sewer Project, which was an emergency due to the situation in the area.

Accredited list of Suppliers (Database)

- In compliance with Section 14 of the SCM Policy, an accredited list of Services Providers was developed and enhanced to a stage where selection of service providers to request quotes from, is done automatically through the DIMS system, which is linked to CSD.
- Updating of the database is an ongoing process. As required by legislation the municipality issued an advert requesting suppliers to update or register their details on the municipal database.
- King Cetshwayo District Municipality annually host a Procurement Indaba in order to capacitate service providers.

2.8. BY-LAWS

The following bylaws have been approved by Council:

- Credit control and debt collection bylaws: Approved by Council on 28 May 2014 (UDMC: 1669/2014).
- Water Supply Bylaws: The Council of the uThungulu District Municipality has in terms of Section 156 of the Constitution, 1996 (Act 108 of 1966) read in conjunction with Section 11 of the Municipal Systems Act (Act No 32 of 2000), adopted the Water Supply Bylaws.
- Environmental Health Bylaw
- Childcare Services Bylaw
- Air Quality Regulations: Amendments to the Listed Activities and Associated Minimum Emission Standards Identified in Terms of Section 21 of the Act

2.9. WEBSITE

The King Cetshwayo website kingcetshwayo.gov.za is updated regularly in line with Section 75 of the MFMA (2003) which requires financial and performance reporting information to be available to the public. Tender and quotation advertisements and awards are also published on the website. In addition to this, the activities of Council are publicised in terms of the district's communication strategy.





03 CHAPTER SERVICE DELIVERY PERFORMANCE

COMPONENT A: WASTE MANAGEMENT SERVICES

3.1. INTRODUCTION TO PROVISION OF WASTE MANAGEMENT SERVICES

King Cetshwayo District Municipality (the permit holder) was granted authority to develop and operate the site according to the requirements of the Permit Conditions issued in terms of Section 20(1) of the Environmental Conservation Act 73, 1989. Waste in South Africa is currently governed by means of a number of pieces of legislation, including:

- The South African Constitution (Act 108 of 1996)
- Hazardous Substances Act (Act 5 of 1973)
- Health Act (Act 63 of 1977)
- Environment Conservation Act (Act 73 of 1989)
- Occupational Health and Safety Act (Act 85 of 1993)
- National Water Act (Act 36 of 1998)
- The National Environmental Management Act (Act 107 of 1998)
- Municipal Structures Act (Act 117 of 1998)
- Municipal Systems Act (Act 32 of 2000)
- Mineral and Petroleum Resources Development Act (Act 28 of 2002)
- Air Quality Act (Act 39 of 2004)
- National Environmental Management: Waste Act, 2008 (Act 59 of 2008)
- National Environmental Management: Waste Amendment Act, 2014 (Act 26 of 2014)
- The Constitution, of 1996
- National Environmental Management Act (NEMA), no. 107 of 1998.

The last airspace survey done on the site indicates a lifespan of 66 years from the current year before the site can be closed and fully rehabilitated.

TOTAL USE OF WASTE MANAGEMENT SERVICES

The waste data is recorded on a monthly basis to the Waste Information System as required by the Department of Environmental Affairs for the activities of KCRSWS. A data verification audit was conducted by the Department which was successful. The quantity of waste streams received, of which approximately 70% is domestic waste are presented in Table 1 and indicates a 10.1% decrease from the previous year:

AMOUNT OF WASTE RECEIVED IN 2018/2019 FINANCIAL YEAR PER QUARTER

Table 1: Amount of waste received in 2018/2019 financial year

QUARTER	Q1	Q2	Q3	Q4	TOTAL (TONS)
Tonnage	29 093.82	29 742.78	31 245.38	28 156	118 237.98

WASTE MANAGEMENT SERVICE DELIVERY LEVEL

UMHLATHUZE MUNICIPALITY:

Produces domestic, business, industrial, garden waste, street sweepings, medical waste and hazardous waste.

Currently 77% of households within the municipality are covered by waste collection systems whilst 23% is not covered (mainly rural households)

It uses kerb side collection, skips and a combination thereof to collect domestic, business, industrial waste and street sweepings.

The waste collected is disposed at King Cetshwayo Regional Solid Waste Site.

Specialised containers for medical waste are used but the municipality does not collect medical waste, there are private contractors who collect waste and dispose it in designated Medical waste sites.

Hazardous waste is collected by private waste collection companies and disposed of in designated Class A Solid Waste sites.

uMhlathuze Municipality has an updated IWMP available.

UMLALAZI MUNICIPALITY

There are only three towns within the municipality where waste is generated and are covered by waste collection and removal services namely; Eshowe, Mtunzini and Gingindlovu.

Currently 100% of urban households are covered by a waste collection system whilst 0% of rural households are covered.

At Eshowe, domestic, business, building, garden, industrial waste, street sweepings and except medical waste are generated and disposed at the King Cetshwayo Regional Solid Waste Site via transfer stations except the medical waste. Medical waste is collected by private contractors and disposed of in Durban. There is also saw dust generated but it is not collected by the municipality.

At Mtunzini, domestic, business, building, garden, industrial waste, street sweepings and medical waste (doctors' rooms) are generated within the town. Building and garden waste are disposed of at Mtunzini Transfer Station. Medical waste is collected by private contractors and disposed of in Durban and the other waste types are disposed at King Cetshwayo Regional Solid Waste Site in Empangeni.

A combination of skips and kerbside collection is used to collect waste within the municipal area. Private recycling plants are also in operation in both Eshowe and Mtunzini towns.

MTHONJANENI MUNICIPALITY

There are three areas within the municipality where wastes are generated and are covered by waste collection and removal systems namely, Melmoth town, Thubalethu and KwaMagwaza Hospital. There is one transfer station that is currently in operation.

Domestic, business, garden, building waste, street sweepings and medical waste are generated within the municipal area.

Cages, bins and kerbside collection is the method of waste collection within the municipal area. Building waste is collected on request, medical waste is collected by private contractors and the rest of the waste is collected by the municipality and disposed at the King Cetshwayo Regional Solid Waste Site via the new transfer station. Mthonjaneni Municipality has an updated IWMP available.

NKANDLA MUNICIPALITY

Currently 100% of urban households within Nkandla Town are covered by waste collection system, whilst part of rural households is covered. There are central collection points in each of the 13 rural wards in Nkandla. The waste collected is disposed of at the Nkandla Solid Waste site.

Domestic, business, garden, building waste, street sweepings and medical waste are generated within the municipal area.

Medical waste is collected and disposed of by private contractors in Durban while building waste is collected and disposed of at Nkandla Solid Waste Site by waste generators.

Nkandla Municipality has an updated IWMP available.

Nkandla Municipality has a newly constructed and permitted Solid Waste site which started working in 2014/2015.

UMFOLOZI MUNICIPALITY

KwaMbonambi Town and Slovo Town (ward 02), Mzingazi (ward 05,06,14 and 16), Nhlabane (ward 03) and ward 17 are the only areas covered by waste collection and removal system.

Domestic, business, industrial and garden waste, street sweepings, medical waste and hazardous waste is generated within the municipal area.

Domestic waste generated is disposed of at King Cetshwayo Regional Solid Waste site via Kwambonambi Transfer Station. Garden waste is also disposed at KCDM Regional Solid Waste site via Kwambonambi Transfer Station.

Recyclables are collected at the buy-back centre and recycled in Richards Bay.

uMfolozi Municipality is in the process of updating the IWMP.

ACCESS TO WASTE MANAGEMENT

The District has a Regional Solid Waste Site at Empangeni and a number of transfer facilities, i.e. Melmoth, Ntambanana, Richards Bay, Eshowe, Mtunzini and Mbonambi

KING CETSHWAYO REGIONAL SOLID WASTE SITE (KCRSWS)

KCRSWS has been servicing most of the King Cetshwayo area of jurisdiction including the Ulundi Municipality under Zululand District Municipality and Mandeni Municipality under iLembe District Municipality since 2003. The site accommodates seven waste cells and is currently operating Cell 2 of the seven.

Council approved the leasing of vacant land adjacent to the Solid Waste site earmarked for future cell development and the City Development granted the District with land use rights for agricultural purposes on the vacant land.

As per the permit, the following conditions are applicable:

A monitoring committee was formed in June 2008 and meets once every four months to monitor the operations of the site.

An Annual External Audit was performed in June 2019 and the issues raised are currently being addressed.

Bi-Annual water quality samples are done on the 15 July and the 15 January every year.

The Solid Waste Management Permit or Waste Management License was amended to incorporate recycling activities and was granted permission by the KwaZulu Natal Department of Agriculture and Environmental Affairs as from June 2012.

WASTE MANAGEMENT SERVICES POLICY OBJECTIVE

The KCDM Regional Solid Waste Site was established in 2004. Waste transfer stations at Eshowe, Mtunzini, Ntambanana, Melmoth and Kwambonambi towns were constructed and waste is transported to the regional site. The review of the IWMP is in progress, the draft document to be presented in September 2019.

HUMAN CAPITAL IN WASTE MANAGEMENT SERVICES

Table 2.6.1: KCDM Personnel involved with waste management at KCRSWS

PERSONNEL	NUMBER
Solid Waste Manager	1
Solid Waste Clerk	1
Weighbridge Operator	2
General Worker	10
Total Solid Waste Staff	14

1 x Vacant Position of Team Leader.

WASTE MANAGEMENT SERVICES CAPITAL EXPENDITURE

The operational cell at the Regional Site is remaining with 2-5 year of air space before it is full. The planning and preliminary design of the new cell, Cell 3, commenced in 18th of April 2018 and to be finalised in 2018/19. Thereafter, detailed design and construction will follow.

3.2. EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

BACKGROUND AND INTRODUCTION

The Expanded Public Works Programme (EPWP) has its origins in the Growth and Development Summit (GDS) of 2003. At the

Summit, four themes were adopted, one of which was 'More jobs, better jobs, decent work for all'. The GDS agreed that public works programmes 'can provide poverty and income relief through temporary work for the unemployed to carry out socially useful activities'.

The Programme is a key government initiative, which contributes to Governments Policy Priorities in terms of decent work & sustainable livelihoods, education, health; rural development; food security & land reform and the fight against crime & corruption. EPWP subscribes to outcome 4 which states "Decent employment through inclusive economic growth."

In 2004, the EPWP was launched and is currently still being implemented. EPWP is a nationwide programme covering all spheres of government and state-owned enterprises. The Programme provides an important avenue for labour absorption and income transfers to poor households in the short to medium-term. It is also a deliberate attempt by the public sector bodies to use expenditure on goods and services to create work opportunities for the unemployed. EPWP Projects employ workers on a temporary or on-going basis either by government, contractors, or other non-governmental organisations under the Ministerial Determination's Conditions of Employment for the EPWP or learnership employment conditions.

GOALS

The goal of the EPWP grant is to provide funding to expand job creation efforts in line with the EPWP guidelines in specific focus areas, where labour intensive delivery methods can be maximised.

PURPOSE

The Expanded Public Works Programme (EPWP) is one element within a broader government strategy to reduce poverty through the alleviation and reduction of unemployment. The Expanded Public Works programme involves creating work opportunities for unemployed persons, and so allowing them to participate economically and contribute to the development of their communities and the country as a whole. Phase three (3) of EPWP aims to:

- Significantly expand the creation of temporary work opportunities that provide income to the poor and unemployed;
- Increase the duration of work opportunities for maximum impact;
- Introduce incentives to motivate increased job creation efforts by Public Bodies;

SCOPE

The National Department of Public Works had determined that this grant allocation should be utilized to implement projects of infrastructure, social as well as environment & culture nature, the list below indicates the focus areas from which to select EPWP projects (without necessarily being limited to these);

- Infrastructure Sector
- Road maintenance and the maintenance of buildings.
- Low traffic volume roads and rural roads.
- Basic services infrastructure including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure).
- Other social and economic infrastructure.
- Environment and Culture Sector
- Tourism and cultural industries
- Waste management
- Parks and beautification
- Sustainable land-based livelihoods
- Social Sector
- Home community-based care services

EVALUATION PROCESS AND DATA SOURCES

The evaluation process followed was the critical assessment of the annual achievement of work opportunities as well as grant allocation expenditure versus targets set by DPW as the Transferring Officer of EPWP IG. Furthermore, during the implementation, monitoring and control of the IG projects, regular site inspections were conducted.

Performance information has been abstracted from the following reports:

- Signed grant agreement and Project list submission;
- Monthly reports;
- Quarterly performance evaluation reports / EPWP reporting systems;
- Quarterly Data Quality & Record Management Plan Sessions.

STRENGTHS	WEAKNESSES
<p>Functional Inter-Governmental structures such as EPWP District Forum and Steering Committee.</p> <p>Functional Payroll System to ensure compliance for COIDA and UIF contributions and payment of the Participants on time.</p> <p>Councillors Induction for the whole District including the Local Municipalities in the District.</p> <p>EPWP Phase 4 launch that took place at King Cetshwayo District on 22 March 2019.</p>	<p>Inability to provide additional internal funding to implement more projects due to reduction in the equitable share.</p> <p>EPWP Unit is not fully capacitated, currently getting support from other Units for the monitoring and reporting on the Programme.</p> <p>Tender documents not yet fully aligned for the enforcement of labour intensive.</p> <p>Protracted procurement tender process</p>
OPPORTUNITIES	THREATS
<p>Training Programmes offered by the Financial Sector Conduct Authority (FSCA).</p> <p>Skill development and work experience for unemployed people</p> <p>Temporary work access to unemployed people within KCDM.</p> <p>Enhance EPWP Participant's chances of finding jobs or starting their own business</p> <p>Reduction of crime and drugs abuse within the District.</p>	<p>Personnel capacity not sufficient to monitor all the projects, thus leaving much scope with the consultants. Costs of consultants may end up too big.</p> <p>EPWP Participants demanding permanent positions from King Cetshwayo District Municipality (KCDM).</p> <p>Political interference.</p>

NUMBER OF JOBS CREATED THROUGH EPWP PROGRAMME

The EPWP Incentive Grant target for the 2018/19 financial year was to create 820 Full Time Equivalent jobs (FTE's), 2651 work opportunities and the allocation was R 7 762 000.00.

The total number of work opportunities created in the 2018/2019 financial year is 2 258 (85%) and 811 (93%) FTE's (These are numbers are from EPWPRS).

FINANCIAL ALLOCATION AND EXPENDITURE

Table no.1 here below details the FY2018/19 IG Allocation to KCDM as well of the transfer schedule followed.

TABLE 1: FUND TRANSFERS

AUG 2018	NOV 2018	FEB 2019	TOTAL
R 1 942 000.00	R 3 492 000.00	R 2 328 000.00	R 7 762 000.00

Despite the first tranche received in August 2018, the Municipality commenced with the programme implementation from July 2018 through internal bridge financing.

Table No.2 provides analysis of IG transfers received and expenditure pattern.

TABLE 2: EXPENDITURE at 30 JUNE 2019

MONTH	INCOME	EXPENDITURE	GRANT BALANCE
July 2018	R 0.00	R 30 573	-R 30 578
August 2018	R 1 942 000	R 88 441	R 1 110 986
Sept. 2018		R 630 174	R 480 812
October 2018		R 639 351	-R 158 539
November 2018	R 3 492 000	R 695 689	R 2 637 772
December 2018		R 695 744	R 1 945 028
January 2019		R 586 791	R 1 358 237
February 2019	R 2 328 000	R 680 235	R 3 006 002
March 2019		R 639 328	R 2 366 674
April 2019		R 712 146	R 1 654 5280
May 2019		R 980 746	R 673 782
June 2019		R 673 782	R 0.00
TOTAL	R 7 762 000	R 7 762 000	R 7 762 000

NUMBER OF PROJECTS COMPLETED

FACILITIES MAINTENANCE PROGRAMME (PROFILE ID 22266)

Project Component : Maintenance of all King Cetshwayo District Municipality infrastructure facilities. The project covers the Greater Treatment Works, Regional Cemetery and Solid waste site.

Sector	:	Environment & Culture
Start date	:	02 July 2018
Completion date	:	30 June 2019
Project Value	:	R1, 597,200.00

IG/ COMMUNITY MOBILIZERS PROJECT (PROFILE ID 22205)

Project Component: Project established to combat social issues and assist with service delivery.

Sector	:	Social
Start date	:	02 July 2018
Completion date	:	30 June 2019
Project Value	:	R1, 990,656.00

IG/DISASTER & FIRE PREVENTION FIELD WORKERS (PROFILE ID 77104)

Project Component : Project established to attend to emergency call outs and rescuing of people and animals from life-threatening situations and respond to emergency situations involving properties, environment and the public

Sector	:	Environment & Culture
Start date	:	02 July 2018
Completion date	:	30 June 2019
Project Value	:	R2, 209,200.00

IG/ CRIME PREVENTION PROJECT (PROFILE ID 65291)

Project Component : Crime prevention awareness campaigns in schools, communities and beaches during school holidays and festive seasons

Sector	:	Environment & Culture
Start date	:	02 June 2018
Completion date	:	30 June 2019
Project Value	:	R697, 352.00

IG/ AIR QUALITY MANAGEMENT (PROFILE ID 66828)

Project Component : The project is assisting with the development of King Cetshwayo bylaws.

Sector : Environment & Culture
 Start date : 02 June 2018
 Completion date : 30 June 2019
 Project Value : R91, 408.00

IG/ AMAKHA ESSENTIAL OILS (PROFILE ID 66830)

Project Component : The project plants, harvest and produce amakha essential oils to supply the local shops.

Sector : Environment & Culture
 Start date : 02 June 2018
 Completion date : 30 June 2019
 Project Value : R523, 400.00

IG/ CAR WASH SERVICE (PROFILE ID 84476)

Project Component : The projects assist in washing and cleaning all KCDM Council vehicles at the main office and satellites.

Sector : Social
 Start Date : 02 July 2018
 Completion date : 30 June 2019
 Project Value : R225, 928.00

IG/ WATER USE EFFECIENCY (PROFILE ID 77111)

Project Component : Network operations and maintenance of water meters

Sector : Infrastructure
 Start Date : 01 July 2018
 Completion date : 30 June 2019
 Project Value : R426, 856.00

PROJECT PROFILES**MUNICIPALITY: KING CETSHWAYO DISTRICT MUNICIPALITY**

PROJECT	SCOPE DESCRIPTION	STATUS	ALLOCATION	EXPENDITURE END JUNE 2019	JOBS CREATED
Facilities Maintenance programme	Maintenance of all KCDM facilities for the district, i.e. grass cutting and cleaning.	100%	R 1 597 200	R 1 597 200	54
Community Mobilizers	Programme established to combat social issues and assist with service delivery	100%	R 1 990 656	R 1 990 656	102
Disaster & Fire Prevention Field Workers	Fire prevention, awareness and disaster management	100%	R 2 209 200	R 2 209 200	94
Crime Prevention Programme	Crime prevention awareness campaigns in schools, communities and beaches during school holidays.	100%	R 697 352	R 697 352	20
Air Quality Management	KCDM bylaw development	100%	R 91 408	R 91 408	02
Amakha Essential Oils	Planting, harvest & produce Amakha Essential Oils	100%	R 523 400	R 523 400	20
Project	Scope Description	Status	Allocation	Expenditure end June 2019	Jobs created
Car Wash Service Project	Washing and cleaning of all KCDM Council vehicles	100%	R 225 928	R 225 928	07
Water Use Efficiency	Network operations and maintenance of water meters	100%	R 426 856	R 426 856	14

ACHIEVEMENTS

The following highlights the overall achievements on the KCDM implementation of the programme: -

- Establishment of EPWP Unit which is now part of the Municipality's organogram.
- The unit consists of EPWP Manager, EPWP Officer, and EPWP Data Capturer. EPWP Officer was appointed in November 2016. Other positions are still vacant.
- Establishment of EPWP Steering Committee as required by our EPWP policy.
- The Municipality was able to create 314 work opportunities through EPWP Integrated Grant funds allocated for 2018/19 financial year. The overall work opportunities achieved in 2018/19 financial year was 2 258 including the projects funded internal and other grants.
- District Councillors Induction conducted by the Department of Public Works.
- EPWP Phase 4 Launch which took place at King Cetshwayo District on 22 March 2018.

- Graduation of EPWP Participants from Facility Maintenance & Community Mobilizers Projects.
- The Municipality was awarded for the best Maintenance Project Infrastructure Sector category on uThungulu Operations and BestInnovative Project: All sectors on Amakha Essential Oils at the KZN EPWP Kamoso Awards.
- Inability to provide internal funding to implement more projects, due to reduction in the equitable share.
- Misalignment of EPWP wages offered by different Public bodies.
- Contractors not adhering to labour intensive in order to increase work opportunities from capital projects.
- Constraints in the monitoring and reporting on the implementation of EPWP projects, due to the limited human resources. The Unit is currently operating with one EPWP Officer, the MIG Data Capturer and two EPWP Participants.
- EPWP Participants demanding permanent positions from King Cetshwayo District Municipality (KCDM).

Mitigation Measures:

- Ensure procurement processes are concluded on time.
- Ensure pre-employment labour meetings occurs and conditions of contract applicable are clearly explained.
- Stricter measure to be put in place with regards to contractor supervision on site.

- The Project Managers are managing the compliance; however the appointment of the EPWP & Special Project Manager is in progress and Data Capturer position to be funded.

COMPONENT B: WATER AND SANITATION PROJECTS

3.3. WATER AND SANITATION

Infrastructure projects Implementation is one of the Municipal Infrastructure Implementation (MII) Section functions amongst many other MII functions. MII Section is under the directorate of Technical Service Department.

On completion of planning and procurement stage, Water Services Authority (WSA) Section hands over the projects to MII Section for the implementation, monitoring and commissioning. MII Section thereafter hands over the completed and signed-off projects to Municipal Infrastructure Operations and Maintenance (MIOM) Section for operations and maintenance.

WATER SERVICES CAPITAL EXPENDITURE (CAPEX)

For the previous financial year 2018/2019 capital projects were funded from the government subsidy grants, as tabled below:

Table No.1: Grants allocation

GRANT	ALLOCATIONS FOR 2017/18
Municipal Infrastructure Grant (MIG)	R 167 200 000
Water Services Infrastructure Grant (WSIG)	R 88 300 000
Regional Infrastructure Grant (RBIG)	R 120 000 000
TOTAL	R 375 500 000

The grant-funded projects in the form of MIG are reported to the Department of Co-operative Governance and Traditional Affairs (COGTA), RBIG and WSIG are reported to the Department of Water and Sanitation and performance is measured against the approved implementation plan.

WATER AND SANITATION PROJECTS

Table 2: Grants Expenditure for the 2018/19 financial year as of 30 June 2019

SOURCE OF FUNDING	ALLOCATION	EXPENDITURE	% SPENT	BALANCE
MIG	R 167 200 000.00	R 167 200 000.00	100%	R -
WSIG	R 88 300 000.00	R 64 887 175.97	74.48%	R 23,412,824.03
RBIG	R 120 000 000.00	R 52 679 712.12	43.90%	R 67,320,287.88
TOTALS	R 375 500 000.00	R 284 766 888.11	75.84%	R 90,733,111.91

Table 3 : Individual Projects implemented

NO.	PROJECT NAME	FUNDING SOURCE	EXPENDITURE
1	KWAHLOKOHLOKO SSA1	MIG	R 1 999 222.73
2	MIDDLEDRIFT PHASE 2	MIG	R 1 023 170.00
3	MIDDLEDRIFT SSA3	MIG	R 2 230 431.35
4	MIDDLEDRIFT SSA5	MIG	R 3 142 486.38
5	MBONAMBI WATER PHASE 2	MIG	R 13 653 923.61
7	GREATER MTHONJANENI SSA5	MIG	R 2 986 267.96
7	KWAHLOKOHLOKO S/A SSA5	MIG	R 32 685 332.97
8	DEBTOR	MIG	R 1 296 919.46
9	PROJECT MANAGEMENT UNIT	MIG	R 3 941 197.20
10	MHLANA SOMOPHO PHASE 3C	MIG	R 7 310 284.88
11	GREATER MTHONJANENI SSA 4	MIG	R 3 419 923.61
12	MPUNGUSE PHASE 10-RETICULATION	MIG	R 4 968 710.78
13	NKANDLA VUTSHINI S/A SSA5	MIG	R 23 690 717.53
14	GREATER MTHONJANENI SSA 5	MIG	R 2 986 267.96
15	284-9-10 & 11-VIP Sanitation Project	MIG	R 9 618 485.40
16	NKANDLA SANITATION	MIG	R 9 541 548.92
17	MBONAMBI SANITATION	MIG	R 13 876 978.88
18	MTHONJANENI SANITATION	MIG	R 10 909 726.39
19	MELMOTH SEWER UPGRADE	MIG	R 5 914 865.16
20	ESHOWE SEWER UPGRADE	MIG	R 7 766 172.40
21	MELMOTH AC PIPE REPLACEMENT	WSIG	R 819 511.39
22	MTUNZINI SANITATION	MIG	R 7 737 703.49
23	ESHOWE AC PIPE REPLACEMENT	WSIG	R 490 677.46
24	TANKER REDUCTION STRATEGY (WSIG)	WSIG	R 26 519 871.10
25	WC/WDM STRATEGY IMPLEMENTATION	WSIG	R 31 580 884.44
26	284-UMLALAZI VIP SANITATION	WSIG	R 5 739 143.30
27	KWAHLOKOHLOKO SSA 1	RBIG	R 11 912 609.47
28	GREATER MTHONJANENI SSA 2	RBIG	R 23 040 557.95
29	MIDDLEDRIFT PHASE 2	RBIG	R 4 957 105.27
30	MIDDLEDRIFT SSA3	RBIG	R 6 000 000.00
31	MIDDLEDRIFT SSA5	RBIG	R 6 769 439.44

NEW WATER CONNECTIONS PROVIDED

As the Water Services Authority (WSA), King Cetshwayo District Municipality (KCDM) is responsible for providing access to basic water and sanitation within its area of supply, i.e. uMfolozi, uMlalazi, Mthonjaneni and Nkandla Local Municipalities; except to the City of uMhlathuze. The City of uMhlathuze has a WSA status and thus responsible for the provision of water and sanitation within its area of jurisdiction.

The annual target for the installation of new water connections was 800 units for the 2018/19 financial year. The annual target was set to be achieved at the end of the fourth quarter.

New water reticulation project with yard connection that was under construction within the reporting period was at Nkandla Local Municipality hence Nkandla-Vutshini Water Supply (SSA5).

The above mentioned water reticulation project covers the following wards:

- Nkandla Local Municipality-Ward 9, 11, 13.

Table 4: Number of New water connections completed in 2018/2019 FY.

NEW PROJECT	PROJECT NAME	2018/19 QUARTERS				NEW CONNECTIONS COMPLETED IN FY18/19	COMMENTS
		Q1	Q2	Q3	Q4		
New	Nkandla-Vutshini water supply (SSA5)	0	0	0	0	0	Contractor experienced financial challenges hence defaulted on the contract and was finally terminated in February 2019. Assessment of the remaining scope has been completed and motivation for the appointment of new services provider submitted to the Management for approval has since been retracted due to the high risk of over committing the proposed Service Provider. Another tender process will be undertaken to procure a new service provider who will complete the outstanding work.
	TOTAL	0	0	0	0	0	

NEW SANITATION UNITS PROVIDED

In rural areas, KCDM provides double pit Ventilated Improved Pit (VIP) sanitation system through the Municipal Infrastructure Grant (MIG) and Water Services Infrastructural Grant (WSIG).

For the sustainability of these projects, movable precast top structures are being used to enable the household to move the unit to another position once the pit is full.

The original planned annual target for 2018/2019 financial year was 1 567 VIP and quarterly targets were as follows:

PERIOD	TARGET
Quarter 1	220
Quarter 2	550
Quarter 3	797
Quarter 4	0
TOTAL	1567

Upon approval of the mid-year budget adjustment, the targets for 2018/2019 financial year were revised to 2 794 VIP units and have been allocated per Local Municipality as below:

LOCAL MUNICIPALITY	WARD	UNITS ALLOCATION
uMlalazi	7, 12, 16, 22, 23, 24, 25 & 27	1 028
Nkandla	12	537
Mthonjaneni	6, 8 & 9	541
uMfolozi	1 & 4	688
TOTAL		2 794

Table 5: Number of New Ventilated Improved Pit (VIP) units completed in 2018/2019 FY

PROJECT NAME	VIP UNITS CONSTRUCTED TO DATE IN EACH QUARTER FOR 2018/19 FY					COMMENTS
	Q1	Q2	Q3	Q4	TOTAL	
uMlalazi Sanitation Phase 9, 10 & 11	0	452	394	182	1 028	Over achieved
uMfolozi Sanitation	221	65	0	402	688	Over achieved
Mthonjaneni Sanitation	0	0	152	389	541	Over achieved
Nkandla Sanitation	0	0	0	537	537	Over achieved
TOTAL	221	517	546	1510	2 794	

PROJECTS PICTORIAL REPORT

Middledrift SSA 5: Water Reticulation Project



Photo 1: Casting of air valve base



Photo 2: Construction of air valve ring manhole.



Photo 3: Installation of BPT (Break Pressure Tank)



Photo 4: Laid pipe before backfilling



Photo 1: Reservoir Platform.



Photo 2: Laying 200 mm pipe.



Photo 3: Complete pipe route excavation.



Photo 4: Bedding of trenches in preparation for pipe laying.

SANITATION PROJECT



Photo 1: Side view of the complete unit with ventilation and hygiene furniture.



Photo 2: Front view of the complete unit with lockable door.



Photo 3: Back view of the complete unit with ventilation and hygiene furniture.



Photo 4: Side view of the complete unit showing how precast components are joined to form a unit.



COMPONENT C: WATER USE EFFICIENCY

3.4. WATER USE EFFICIENCY

The Directorate: WUE has 8 staff members: Senior Manager and Senior Technician, Artisan Plumber and five meter readers.

Water Use Efficiency is the new unit that started operating from May 2015 due to the effect of drought. The Unit is responsible for the Water Conservation and Water Demand Management (WC/WDM). The King Cetshwayo (uThungulu) District Municipality is a water scarce area and therefore water conservation and Water Demand Management (WC/WDM) is necessary to avert any further water crisis. WUE is implementing a three year Non Revenue Water Strategy through a service provider that was appointed in May 2017.

Strategy, Planning and Implementation

Key Performance Indicators:

- Developing and implementing strategies to reduce non-revenue water, including:
 - Active leak detection and repair programmes
 - Pressure management optimization
 - Improvement Speed and quality of repairs
 - Infrastructure Management
 - Implementation of advanced pressure control
 - Verification of consumer billing data
 - Checking the legality of Water connections
 - NRW Policy Formulation
- Provide a detailed water resource balance diagram with:
 - Current demand,
 - Available supply as per WUL or SLA,
 - Projected (5 year) demand estimates with and
 - Without implementing WDM.

Provide monthly and annual composite IWA water balance diagrams and supporting documents for the complete system as part of the water audit (as component in the WSDP) as per Reg. 509 of 2001 clause 10 of the Water Supply Regulations. Balance diagram to specify as a minimum the main components of the IWA balance including Water Losses broken down into:

- System input volumes.
- Billed Metered and unmetered usage
- Unbilled Authorized Consumption,
- Water losses broken down into Real and Apparent Losses,
- Free Basic Water, and
- Non-Revenue Water

And to be supported by schematic showing bulk meters, zones and main infrastructure components.

Evidence must be provided of a council approved WDM strategy and business plan consisting of the following:

- Background and Context
- Situation Assessment including a Need Statement
- Key Issues and Challenges
- Focus areas of Interventions
- List of proposed Interventions
- Set targets for demand, NRW, commercial and real losses.
- Budget and Multi-year Implementation Timeline

Provide details on the action, budgets, timelines and progress of water demand management activities undertaken. Reg. 509 of 2001 Clause 10.

Percentage of Customers who are metered including those who have been supplied with a measuring control device calculated from the data presented in the summary section:

Number of customers billed against installed meters. Households billed on a flat rate or on a deemed consumption method as a percentage of all households (not only metered households) in order to indicate percentage or rate of unconfirmed billing.

Provide copy of all water tariffs for past three years indicating rising block tariff that would discourage high water use (highest tariff at least double lowest tariff).

Water balance for multiple years in line with Reg 509 of 2001 Clause 10

Provide details of household leak repair programme including:

- Households visited
- Methodology
- Policy
- Costs (audited)

COMPONENT D: OPERATIONS AND MAINTENANCE

3.5. OPERATIONS AND MAINTENANCE: MANDATE AND STRUCTURE

The Directorate of Operations and Maintenance has 102 internal staff members while the support service agent (WSSA) employs well over 581 employees. The structure of this Directorate is graphically illustrated in Figure 1.6.4

The work of this directorate is split into a number of sections reflected in the directorate's organizational structure as follows:

- Operation and maintenance of the water plants and waste water treatment plants within Mtunzini, Gingindlovu, Eshowe, Melmoth and Nkandla Towns and operations maintenance of bulk and reticulation networks in the aforementioned town including Kwambonambi Town.
- Water quality testing and compliance with legislative requirements of the Blue and Green Drop Systems is with process section.
- The operation and maintenance of all rural schemes including the water and sewage plants for the clinics and hospitals within King Cetshwayo District
- Repairs and maintenance of boreholes, hand pumps and spring protection
- Management of the Service Support Agent (WSSA)
- Support Water Services Authority Section (WSA) with water quality testing and compliance with legislative requirements.

THE MAIN FUNCTIONS OF THIS DIRECTORATE CAN BE SUMMARIZED AS FOLLOWS;

- Operation and maintenance of all water services infrastructure which includes the following:
- Ensuring that all rural water schemes are operational
- Water production is done in terms of the applicable specifications and national guidelines
- Ensuring that all Town water networks are functional and without leaks and the turnaround time for repairs is kept to a minimum of four (4) hours
- Ensuring that the sewage systems and plants are operational and maintained in accordance with the DWS guidelines and prevailing legislation

- Ensuring that water quality tests are done and checked against the SANS 241 specifications
- Support WSA with effective implementation of the water loss management system.

- Effective implementation and management of the Emergency and Drought Relief Programmes of the municipality which includes the following:

- Drilling, testing and equipping of new boreholes
- Repairs and maintenance of hand pumps
- Spring development and protection to provide safe and clean water (with support from WSA)

Provision of water through tankers to the drought-stricken areas

- Ensuring that the sewage systems and plants are operational and maintained in accordance with the DWS guidelines and prevailing legislation
- Ensuring that water quality tests are done and checked against the SANS 241 specifications
- Effective implementation of the water loss management system
- Effective implementation and management of the Emergency and Drought Relief Programmes of the municipality which includes the following:
 - Drilling, testing and equipping of new boreholes
 - Repairs and maintenance of hand pumps
 - Spring development and protection to provide safe and clean water
 - Provision of water through tankers to the drought stricken areas

3.6. WATER SERVICES FINANCIAL PERFORMANCE

WATER SUPPLY NETWORK SERVICES

Our town water supply schemes are managed, operated and maintained by our own staff while those in the rural area are managed, operated and maintained by a Services Support Agent (SSA). Whereas all costs of the schemes under the SSA are accounted for, those managed internally are not linked to our Issue Manager which is a system that tracks repairs costs. As a result, it is a bit difficult to give a true reflection of the financial performance of the water services. However, in order to give an estimate of what it costs UDM to supply water to its communities, the report for quarter 4 is presented on Table 1.8.1 which indicates the summary of water production per Local Municipality per month and the number of schemes where bulk metering is taking place as well as the served number of households.

Table 1.8.1 : Water production per LM for quarter 4 of 2018/19

LOCAL MUNICIPALITY	NO. OF SCHEMES MEASURED	MONTHLY PRODUCTION (MI)			TOTAL (MI)	NUMBER OF HOUSEHOLDS SERVED
		APR'19	MAY'19	JUN'19		
uMfolozi	40	297.89	227.71	188.53	714.13	12689
uMlalazi	67	380.30	329.74	336.97	1047.01	21885
Mthonjaneni	31	143.16	124.04	113.33	380.53	14050
Nkandla	31	358.72	376.68	352.74	1046.43	8131
TOTAL	168	1180.11	865.0	712.68	2227.21	56 755

The total water production costs per kilolitre of water for the 4th quarter is calculated as follows:

$$\begin{aligned} & \text{Total staff costs (4th quarter) + SSA costs + chemicals + bulk purchase + cost} \\ & \quad \text{Water produced on the 4th quarter} \\ & = 18.62 / \text{kl} \end{aligned}$$

The above production cost is very low compared with the best practice of about R3-6/kl. Three main problems can be attributed to this low cost of production. These include but not limited to:

- A high number of schemes without bulk meters
- A high number of inefficient small schemes
- Lack of control of non-revenue water

KCDM has about 269 schemes but as can be seen from Table 2, only 205 schemes are metered. Therefore, over or about 63 schemes are not metered and hence the seemingly high production cost. Consequently, there is an urgent need to install bulk meters in all the schemes. Besides that, KCDM needs to accelerate bulk infrastructure in order to account for all water produced and do away with the inefficient small schemes so as to reduce the production costs. Non-revenue water needs to be monitored and controlled in order to bring down the cost of water production. The Water Use Efficiency unit has been created and the Department is in the process of filling the posts of the unit since the head of the section was appointed. The unit will be responsible for developing the water conservation and water demand management (WC/WDM) strategy and implementing it so as to control non-revenue water. As we strive to install more bulk meters, more schemes will be added on the list of metered projects. This will certainly bring down the cost per kilolitre of producing water in uThungulu. If we have more details on the scheme design productions, one could be making comparisons but as detailed above this is not possible.

WATER TANKER SERVICE

Despite the efforts to reduce the carting of water with tankers, KCDM has a number of water tanker requests from different councillors/communities and these requests are increasing by the day as a result of prevailing drought conditions. It should be mentioned that 23 water tanker requests were received and only 10 water tankers were approved due to the financial constraints. Any urgent requests, either once off or permanent are referred to the office of the Mayor for consideration. Table 1.8.2 shows the various indicators for the water tanker service.

Table 3a : Delivery of water by tankers (scheduled and ad hoc) for Quarter 4 of 2018/19

MONTH	APRIL '19	MAY '19	JUNE '19	TOTAL
Number of Loads	1702	2013	1942	5657
Distance travelled by tankers (km)	162 785	204 579	197 982	565 346
Volume of water delivered (ML)	19.60	30.20	29.13	78.93
Actual Paid during this period	R 2 778 322	R 5 125 223	R 6 665 099	R 14 568 644

Table 3b : Cost of ad hoc requests for Quarter 4 of 2018/19

MONTH	APRIL '19	MAY '19	JUNE '19	TOTAL
Number of Loads	896	1135	869	2900
Distance travelled by tankers (km)	78779	104650	97455	280884
Volume of water delivered (ML)	13.4	17.03	13.03	43.46
Cost of service (Rands)	R 2 130 563.60	R 2 830 223.80	R 2 650 661.50	R 7 611 448.90

In the first half of the financial year, tankers were travelling about 160 000 km/month and KCDM was spending an average of R4.5M per month on water supply by tankers. Since the district has been stricken by drought, the service of water tanker deliveries was increased, resulting in an average of R5.5M per month, and due to the fact that most of the water sources were affected by drought and have dried up, it left KCDM with no choice but to increase the water tanker utilization.

A summary of the main KCDM water schemes that have dried up:

MUNICIPALITY	SCHEME NAME	REASON
KZ 286	THALANGENI	PARTIALLY DRY
KZ 286	THALANENI	PARTIALLY DRY
KZ 286	MANDABA 2	PARTIALLY DRY
KZ 286	MKHALAZI	SOURCE DRIED UP
KZ 286	NHLOSHANA	PARTIALLY DRY
KZ 286	MANYANE CLINIC	PARTIALLY DRY
KZ 286	JAMESON DRIFT	PARTIALLY DRY
KZ 286	NGWEGWENI	SOURCE DRIED UP
KZ 286	SAMUNGU	PARTIALLY DRY
KZ 286	SDUMUKA SPRING	PARTIALLY DRY
KZ 286	NTSHIZA SPRING	PARTIALLY DRY
KZ 286	CUPHUCHUKU SPRING	PARTIALLY DRY
KZ 286	DLOMO SPRING	PARTIALLY DRY
KZ 286	NKANDLA BULK	PARTIALLY DRY
KZ 286	KWADINA	PARTIALLY DRY
KZ 286	THALENI	PARTIALLY DRY
KZ 286	VIMBIMBOBO	PARTIALLY DRY
KZ 286	NSONSWANA	PARTIALLY DRY
KZ 286	MBIZWE	PARTIALLY DRY
KZ 286	MAHLAYIZENI BOREHOLE 1	SOURCE DRIED UP
KZ 286	NYAWOSHANE	PARTIALLY DRY
KZ 286	KWABADALA WEIR	PARTIALLY DRY
KZ 286	AMAPHUTHU WEIR	PARTIALLY DRY
KZ 286	QHUDENI DAM	PARTIALLY DRY
KZ 286	MCHUNU	PARTIALLY DRY
KZ 286	EKHOMBE	PARTIALLY DRY
KZ 286	ESIHOSENI	PARTIALLY DRY

A summary of the main KCDM water schemes that have dried up : ...continued

MUNICIPALITY	SCHEME NAME	REASON
KZ281	MAKHANDENI	PARTIALLY DRY
KZ281	MBABE 1	PARTIALLY DRY
KZ281	MBABE 2	PARTIALLY DRY
KZ281	NDLABEYILANDULA	PARTIALLY OPERATIONAL
KZ281	HOLINYOKA A	PARTIALLY DRY
KZ281	HOLINYOKA C	PARTIALLY DRY
KZ281	HLAWINI	PARTIALLY OPERATIONAL
KZ281	MANZAMNYAMA 1	PARTIALLY OPERATIONAL
KZ281	MZINGELI	PARTIALLY DRY
KZ281	MALALENI SOKHULU	PARTIALLY OPERATIONAL
KZ281	WELA WELA	PARTIALLY OPERATIONAL
KZ281	MTINYA	PARTIALLY OPERATIONAL
KZ281	EZIDONINI	PARTIALLY OPERATIONAL
KZ281	MGAZINI	PARTIALLY DRY
KZ281	DONDOTHA	PARTIALLY DRY
KZ281	MENDU	PARTIALLY DRY
KZ281	MPEVU	PARTIALLY DRY
KZ281	NKUMBANINGI	PARTIALLY DRY
KZ281	NHLANZINI	DRY
KZ281	MBONAMBI TOWN	DRY
KZ281	EKUPHELENI MHLANA	PARTIALLY DRY
KZ281	NOZAMBULA	PARTIALLY DRY
KZ281	NHLABOSINI	DRY
KZ281	ZISIZENI 1	PARTIALLY OPERATIONAL
KZ281	ZISIZENI 2	PARTIALLY OPERATIONAL
KZ281	ZISIZENI 3	PARTIALLY OPERATIONAL
KZ281	SABHUZA	DRY
KZ281	EMPUMELELWENI	PARTIALLY DRY
KZ281	NKANYEZI	DRY
KZ281	CINCI	PARTIALLY DRY
KZ281	HLANZENI/THUKWINI	DRY

MUNICIPALITY	SCHEME NAME	REASON
KZ281	NJOMELWANE	PARTIALLY DRY
KZ281	CROCODILE DAM	DRY
KZ281	MKHIZE DAM	PARTIALLY DRY
KZ281	OBUKA	PARTIALLY DRY
KZ281	MAMBUKA	PARTIALLY DRY

MUNICIPALITY	SCHEME NAME	REASON
KZ 284	EMANYAMENI	SOURCE DRIED UP
KZ 284	FELISILWANE	SOURCE DRIED UP
KZ 284	NSINGWENI	SOURCE DRIED UP
KZ 284	KWAMFANA	SOURCE DRIED UP
KZ 284	MABHOKWENI	SOURCE DRIED UP
KZ 284	HLUNGWINI	SOURCE DRIED UP
KZ 284	MOMBENI MGEBISA	SOURCE DRIED UP
KZ 284	OGAYE	SOURCE DRIED UP
KZ 284	MOMBENI OFENI	SOURCE DRIED UP
KZ 284	HHAYINNYAMA ZINQUMELE	SOURCE DRIED UP
KZ 284	THUTHUKANI	PARTIALLY DRY
KZ 284	SQANDAQANDA	PARTIALLY DRY
KZ 284	SABE	PARTIALLY DRY
KZ 284	ZINQUMELE	PARTIALLY DRY
KZ 284	NSINGWENI CLINIC	PARTIALLY DRY
KZ 284	MAQHULU	PARTIALLY DRY
KZ 284	OYEMENI	PARTIALLY DRY
KZ 284	QWAYINDUKU	PARTIALLY DRY
KZ 284	EYETHENI	PARTIALLY DRY
KZ 284	OHHAHHENI	PARTIALLY DRY
KZ 284	NGUQU	PARTIALLY DRY
KZ 284	ISIDIBHA	PARTIALLY DRY
KZ 284	DONSINTABA	PARTIALLY DRY
KZ 284	LUBISANI	PARTIALLY DRY
KZ 284	OYAYA	PARTIALLY DRY

DROUGHT INTERVENTION

Table 1 shows the summary of the current allocation and supply points of tanks and tanker distribution within the District, including tanks and tankers activated as a result of the intensification of drought in table 2.

Table 1: Storage facilities serviced by tankers in the District

LOCAL MUNICIPALITY (KZ)	NO. OF JOJO TANKS	OTHER STORAGES
281 uMfolozi	276	None
284 uMlalazi	188	3 concrete & 3 steel tanks
285 Mthonjaneni	186	9 steel tanks 1 concrete reservoir
286 Nkandla	153	8 concrete reservoirs
TOTAL	803	19

The supply of water to these storages is attained through the use of a schedule that has been formulated for each and every water tanker that operates within this fleet.

Over the years the Technical Department has been compelled to continuously review and reduce the frequency of the supply as a result of the increase in demand of water tankers and the decrease in the availability of funds to finance this operation. In some instances, we are compelled to add tanks as a result of the dire need of potable water in that area. Water tanker operation is an expensive mode of water supply to the communities and had an average expenditure of R 4.7 million a month for this quarter. We are striving to bring it down but with the recent increase of adhoc requests and drought, this goal looks unachievable.

COMPONENT E: PUBLIC SAFETY

3.7. AIR QUALITY

AIR QUALITY MANAGEMENT

REGULATORY MANDATE

In terms of section 24 of the constitution Act 108 of 1996 "Everyone has the right to an environment that is not harmful to their health or well-being and to have the environment protected through reasonable legislative measures". The King Cetshwayo District Municipality (KCDM) has the Air Quality Management Unit (AQMU) within Community and Social Services Department, responsible for developing and implementing air quality functions within the region.

The Air Quality Management Unit focuses mainly on controlling air quality in the District by ensuring that the major sources of emissions comply with the relevant National Environmental Management Act (NEMA) and Specific Environmental Management Acts (SEMAS) for example the National Management Air Quality Act, (Act. 39 of 2004), and all regulations prescribed by the Act.

The King Cetshwayo District Municipality is mandated to implement the licensing authority functions as contemplated in Chapter 5 of Section 36 of the National Environmental Management Air Quality Act, Act 39 of 2004 (AQA).

The District has designated an air quality officer from its administration to be responsible for coordinating matters pertaining to air quality management in the region to comply with Section 14 (3) of the National Management Air Quality Act, (Act. 39 of 2004).

The King Cetshwayo District Municipality has incorporated the Air Quality Management Plan (AQMP) into the Districts IDP to comply with Section 15 (1) of the National Management Air Quality Act, (Act. 39 of 2004). The Districts AQMP is currently on the fourth year of implementation phase.

The King Cetshwayo District Municipality has within its administration Environmental Management Inspectors designated according to Section 31 C (2) of NEMA. In terms of section 31 D (1) of NEMA the designation is in respect of the enforcement of the provisions of NEMA and all SEMAs.

Air quality governance can be described in terms of a simplified environmental governance cycle as illustrated in Figure 1. The governance cycle provides a useful framework for achieving continuous improvement over time.

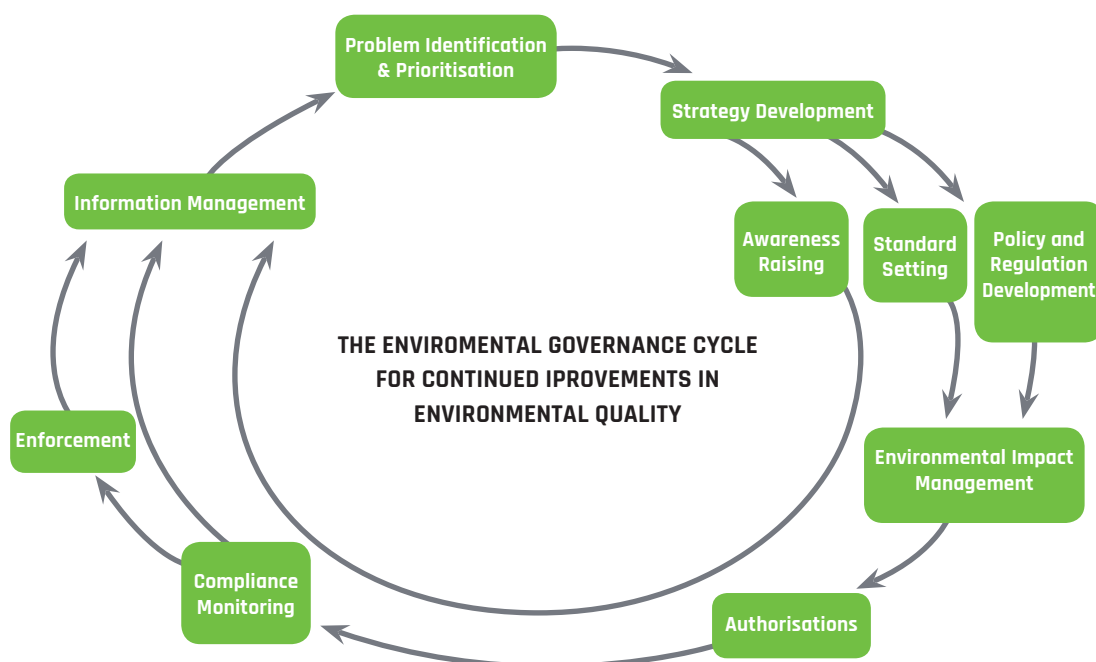


Figure 1: The environmental governance cycle for continued improvements in environmental quality



POLLUTION CONTROL

Environmental Pollution Control

The King Cetshwayo District Municipality Air Quality Management Unit functions involves the following:

- Implementation of the District Air Quality Management Plans (AQMP) to achieve the prescribed Minimum Emission Standards, and Ambient Air Quality Standards
- Management of point and non- point emissions source through implementation of Air Quality Act (section 21 and 23) and related legislation.
- Participate and make recommendations on EIA processes within the District.
- Manage online AEL applications, Issuance and monitoring Atmospheric Emission Licences (AEL) within the District.
- Ascertain compliance with minimum emission standards and audit reports submitted through National Atmospheric Emission Inventory System (NAEIS) for the District. This include reporting for all industries operating section 21 listed activities, section 23 controlled emitters and mines and quarries operating within the King Cetshwayo jurisdiction.

- Enhance integrated air quality management with local municipality and other stakeholders (Forums, joint inspections, public meetings etc.)
- Conduct environmental inspections.

The Air Quality Management Plan:

Vision: "Clean air for a Healthy King Cetshwayo District."

Mission: "The King Cetshwayo District Municipality ensures clean, healthy air for all residents to preserve the integrity of ecosystems and enables economic growth and development through the ongoing implementation of the Air Quality Management Plan (AQMP), co-operative governance and active stakeholder engagement."

The Air Quality Management Plan extensively highlights the implementing procedures and the time frames to overcome challenges; which include amongst others, the development of the Air Quality Unit, which will effectively and efficiently manage air quality within the District.

TABLE 1: FIVE GOALS HAVE BEEN FORMULATED TO ACHIEVE THE VISION AND MISSION OF THE AQMP

The air quality management capacity in the KCDM meets all the requirements of their mandate.	On-going
Air quality management in KCDM is enhanced through co-operative governance.	On-going
KCDM has the systems and tools for effective air quality management	On-going
Air quality management in the KCDM considers the development objective of the region	On-going
Air quality management is understood throughout KCDM	On-going

SERVICE STATISTICS FOR AIR QUALITY MANAGEMENT

Proposed Developments Status

These are the new industrial developments proposed for the King Cetshwayo District Municipality. Some of these activities still need to undergo Environmental Impact Assessment (EIA) processes prior to construction, some have received the Environmental Authorisation while others don't trigger the listed activity. Depending on the decision of the EIA competent authority and other stakeholders these activities may or may not operate within the District.

TABLE 2: PROPOSED DEVELOPMENTS STATUS

FACILITY NAME	ACTIVITIES
Summer Sun	<p>In terms of the requirements of the National Environmental Management Act (NEMA), Act 107 of 1998 and Environmental Impact Assessment Regulations 2014 (as amended) on 15/04/2019 Summer Sun circulated the Draft Environmental Impact Assessment Report to all King Cetshwayo District Municipality Stake holders of the proposed plant for the reprocessing of Recycled Aluminium for comments.</p> <p>The proposed activity triggers a listed activity subcategory 4.4: Secondary Aluminium Production therefore, is required to submit the Atmospheric Emission Licence Application</p>
Savithi Trading Company	<p>On 23/04/2019 King Cetshwayo District Municipality in its capacity as the Licensing Authority received a notice of intent from Savithi Trading Company for the proposed Wood Biomass Derived Synthetic Diesel plant within the District.</p> <p>The proposed activity does not trigger the listed activity; therefore, the facility is not required to apply for the Atmospheric Emission Licence</p>

TABLE 2: PROPOSED DEVELOPMENTS STATUS ...Continued

FACILITY NAME	ACTIVITIES
Elegant Afro Lines (PTY) LTD	<p>Elegant Afro Lines (PTY) LTD submitted an online application on 21/10/2018.</p> <p>The facility has not produced proof of payment to the licensing authority at this stage the application cannot be processed until payment is received.</p> <p>The facility will be operating three listed activities, according to section 21 of NEMA: AQA.</p>
Bingelela Extrusion PTY (LTD) and Bingelela Alloys PTY (LTD)	
Nyanza Light Metals (Pty) Ltd	<p>On 12/03/2019 a meeting was held with representatives of Nyanza Light Metals (Pty) Ltd through video calling and Richards Bay Industrial Development Zone (RBIDZ) personnel at IDZ offices for the construction of the commercial scale plant producing rutile TiO2 pigment products at Richards Bay IDZ.</p> <p>The proposed construction will trigger listed activities subcategory 4.20: Slag Processes, and subcategory 8.1: Thermal Treatment of General and Hazardous Waste in terms of section 21 of NEMAQA</p>

Atmospheric Emission Licensing (AEL) System

The Atmospheric Emission Licences are the tools to manage emissions from industrial activities, within the district. Table 2 provide various activities related to atmospheric emission licence issuing and processing performed during the year 2018/2019.

TABLE 3: ATMOSPHERIC EMISSION LICENCE ACTIVITIES FOR YEAR 2018/2019 FINANCIAL YEAR

FACILITY NAME	ACTIVITIES
LICENSES UNDER REVIEW	
Richards Bay Alloys	<p>Awaiting additional information from the facility</p> <p>Industry last operated in 2016 and has operated in 2017 and in 2018.</p> <p>The Licensing Authority paused working on the AEL application until the facility resumes operations.</p>
ATMOSPHERIC EMISSION DRAFTED	
FFS Refinery	Draft is in progress
Collateral Trading 27 cc	to be issued in the first quarter of 2019/2020
Isizinda Aluminium	to be issued in the first quarter of 2019/2020
Tonga Hulet Sugar Felixton	Draft is in progress
Jubane Petroleum	Draft is in progress
Engen Petroleum	<p>Engen Petroleum Depot submitted an AEL online application on SAAELIP on 21/01/2019.</p> <p>Completeness audit and final confirmation of fee amount and payment, to be submitted by the facility 12/04/2019</p>
Island View Storage	Draft is in progress
Elegant	To be issued in the first quarter of 2019/2020
ATMOSPHERIC EMISSION LICENSE ISSUED	
Transnet Port Terminals	AEL issued on 17/08/2018 valid for a period of five-years (5)
Tonga Hulet Sugar Amatikulu Mill	Provisional Atmospheric Emission License (PAEL) issued on 28/09/2019 valid for a period of one-year(1)
South 32	AEL issued on 03/12/2018 valid for a period of five-years (5)
Bay Galvanizers	AEL issued on 10/12/2018 valid for a period of five-years (5)
RBM	AEL issued on 14/12/2018 valid for a period of five-years (5)
Tronox KZN sands	AEL issued on 25/03/2019 valid for a period of five-years (5)
Much Asphalt Pty Ltd	AEL issued on 26/06/2019 valid for a period of five-years (5)

Atmospheric Emission License Processing Fee

The Minister of Environmental Affairs on the 11 March 2016, gazetted the regulations prescribing the Atmospheric Emission Licence Processing Fee in terms of sections 53(o), 37(2)(a), 44(3)(a), 45(1) and 47(3)(a) of the National Environmental Management: Air Quality Act, 2004 (Act No. 39 of 2004) to be paid by industries operating the Section 21 listed activity within the District. The District has issued invoices to various industries.

TABLE 4: ATMOSPHERIC EMISSION LICENCE REVENUE FOR YEAR 2017/2018

Initial Application: The initial application is ten thousand rands, (R 10 000.00) per listed activity.

Renewal Application: The renewal application fee is five thousand rands (R 5 000.00) per listed activity

NAME OF INDUSTRY	NUMBER OF LISTED ACTIVITIES	FUNDS EXPECTED AND RECEIVED	TYPE OF APPLICATION
THS Felixton Sugar Mill	1.1 & 1.3	R 10 000.00	Renewal
Elegant	7.1, 7.2 & 7.7	R 30 000.00	New Application
Total	R 40 000.00		

EXPECTED AEL FUNDS FOR 2018/2019 FINANCIAL YEAR RENEWAL APPLICATIONS

NAME OF INDUSTRY	NUMBER OF LISTED ACTIVITIES	FUNDS EXPECTED AND NOT RECEIVED	COMMENTS
Engen Petroleum Depot	2.2	R 5 000.00 Expected	Application not yet received
Grindrod Navitrade Terminals	5.1	R 5000.00 Expected	Application not yet received
Total	R 10 000.00		

EXPECTED FUNDS FOR 2019/2020 FINANCIAL YEAR NEW DEVELOPMENTS AND RENEWAL APPLICATION

NAME OF INDUSTRY	NUMBER OF LISTED ACTIVITIES	FUNDS EXPECTED AMOUNT	TYPE OF APPLICATION AND COMMENTS
Nyanza Light Metals (Pty) Ltd	4.2 & 8.1	R 20 000.00	New Application
Foskor	5.1, 5.2, 7.2 & 7.3	R 10 000.00 & R15 000.00	Renewal application and addition of previously omitted listed activity 5.2
Mondi Ltd Richards Bay Mill	1.1., 1.3, 2.2, 5.1, 7.2, 9.1, 9.2 & 9.4	R 40 000.00	Renewal application
Bingelela extrusion Pty Ltd	4.4	R 10.000	New Application
Bingelela Alloys Pty Ltd	4.4	R 10.000	New Application
Engen Petroleum Depot	2.2	R 5 000.00	Renewal application
Grindrod Navitrade Terminals	5.1	R 5000.00	Renewal application
Total	R 115 000.00		

ENVIRONMENTAL INSPECTIONS

Atmospheric emission licence related inspections

TABLE 5: ATMOSPHERIC EMISSION LICENCE INDUSTRY INSPECTIONS CONDUCTED DURING 2018/2019 FINANCIAL YEAR

FACILITY NAME	ACTIVITIES
Tronox KZN Sands	Pre-Licensing inspection at Tronox KZN Sands on 12/07/2018
Richards Bay Alloys	Pre-Licensing inspection at Richards Bay Alloys (Pty) Ltd on 15/08/2018, to ensure the application submitted is a true reflection of activities on the ground
Concor N2 Asphalt Plant	The facility operates a temporal asphalt plant which is a controlled emitter according to section 23 of AQA. Inspection was conducted on 14/09/2018
Much Asphalt	The AQMU conducted a pre-licensing inspection at Much Asphalt on 18/09/2018.
Tronox KZN Sands	An Environmental Management Inspectorate inspection was conducted from 05-07/11/2018.
RBC T	The Air Quality Management Unit conducted a site inspection at RBC T on 05/12/2018.
South 32	Joint Environmental Management Inspectors inspection at South 32 from 27/05/19-30/05/19 to ascertain compliance with the National Environmental Management Act and the Specific Environmental Management Acts
Collateral Trading 27 cc	Joint Authorities inspection at Collateral Trading 27 cc on 26/06/19 to finalise the issuance of the Atmospheric Emission Licence.
Tongaat Hulett Felixton Sugar Mill	Tongaat Hulett Felixton Sugar Mill has applied for the renewal of the Atmospheric Emission licence, as part of processing the application the Air Quality Management Unit conducted a pre-licensing inspection on 27/02/2019 to verify the information provided in the application.
Grindrod Navitrade Terminal	To ascertain compliance with the conditions of the Atmospheric Emission Licence UDM/11-12/AEL0004/1, the Air Quality Management Unit conducted a compliance site inspection at Grindrod Navitrade Terminal on 26/03/2019.

COMPLAINTS RELATED INSPECTIONS

The Air Quality Management Unit received complaints regarding dust emissions from Tongaat Hulett Amatikulu Mill that is impacting on learners at Amatikulu Primary School. The AQMU conducted an inspection at the school on the 17/01/2019 to understand the geographical location of the school in relation to the source of emissions.

To be able to quantify the amount of dust at the school the AQMU is proposing dust fallout and particulate matter monitoring survey at the school. The survey will be conducted initially for a period of a year and results compared to the dust fallout limits.

The Air Quality Management Unit received complaints regarding visible emissions from the charcoal manufacturing plant located in R34, an inspection was conducted on the 22/02/2019. Additional information is required Charcoal Manufacturer is classified under section 21 or section 23 of NEMAQA.

On 01/03/2019 there was a suspected elevated levels of ammonia (NH₃) experienced by employees at Foskor (Pty) Ltd; which resulted in an activation of the alarm.

A jointly authority's team; which include the District AQMU, the City of uMhlathuze AQMU and the Department of Economic Development Tourism and Environmental Affairs Compliance Section conducted an inspection on the 13/03/2019 to understand what transpired during the day of the alarm and what can be done to avoid a similar incident.

Joint authorities EMI inspection is proposed for the first quarter of 2019/2020 financial year to finalise Foskor's compliance with the applicable licences and authorisations.

COMPLIANCE STATUS OF INDUSTRIES 2018/2019 FINANCIAL YEAR

NATIONAL ATMOSPHERIC EMISSION INVENTORY SYSTEM (NAEIS) COMPLIANCE STATUS

In terms of Government Notice Regulation (GNR) 893 and amendments industries are required to report the emission inventory for the previous year (2018), through the online National Atmospheric Emission Inventory system (NAEIS). On the 3rd of April 2017 the Minister of Environmental Affairs prescribed the National Greenhouse Gas Emission Reporting Regulations, under section 53 (aA), (a) and (p) read with section 12 of the National Environmental Management: Air Quality Act, 2004 (Act No. 39 of 2004).

The third quarter of each year is a period where all facilities operating section 21 listed activities, section 23 controlled emitters, mines and quarries are required to report the emission inventory for the previous year in terms of Government Notice Regulation (GNR) 893 as amended and National Greenhouse Gas Emission Reporting Regulations, through the online National Atmospheric Emission Inventory system (NAEIS). The deadline for facilities to submit the emission inventory is the 31/03/2019

A total of twenty-three facilities were included in the 2018 Emission Inventory Master List as follows:

TABLE 6: 2018 EMISSION INVENTORY REPORT PER ACTIVITY		
ACTIVITY	NO OF FACILITIES	COMMENTS
Section 21	20	Two section 21 industries did not submit the 2018 emission inventory reports which are Bay Galvanizer and Richards Bay Alloy
Section 23	1	Mpact Felixton
Mines and Quarries	2	Lafarge Ninians and Lafarge Richards Bay

The Air Quality Management Unit audited the reports for completeness and correctness, 100% of the submitted reports were audited. Only 64% submitted reports passed the audit, and the 36% that failed the audit was sent back to the facilities with comments. The facilities that failed the audit are required to resubmit the reports with corrections by the 31/07/2019

MINIMUM EMISSION STANDARDS (MES) POSTPONEMENT

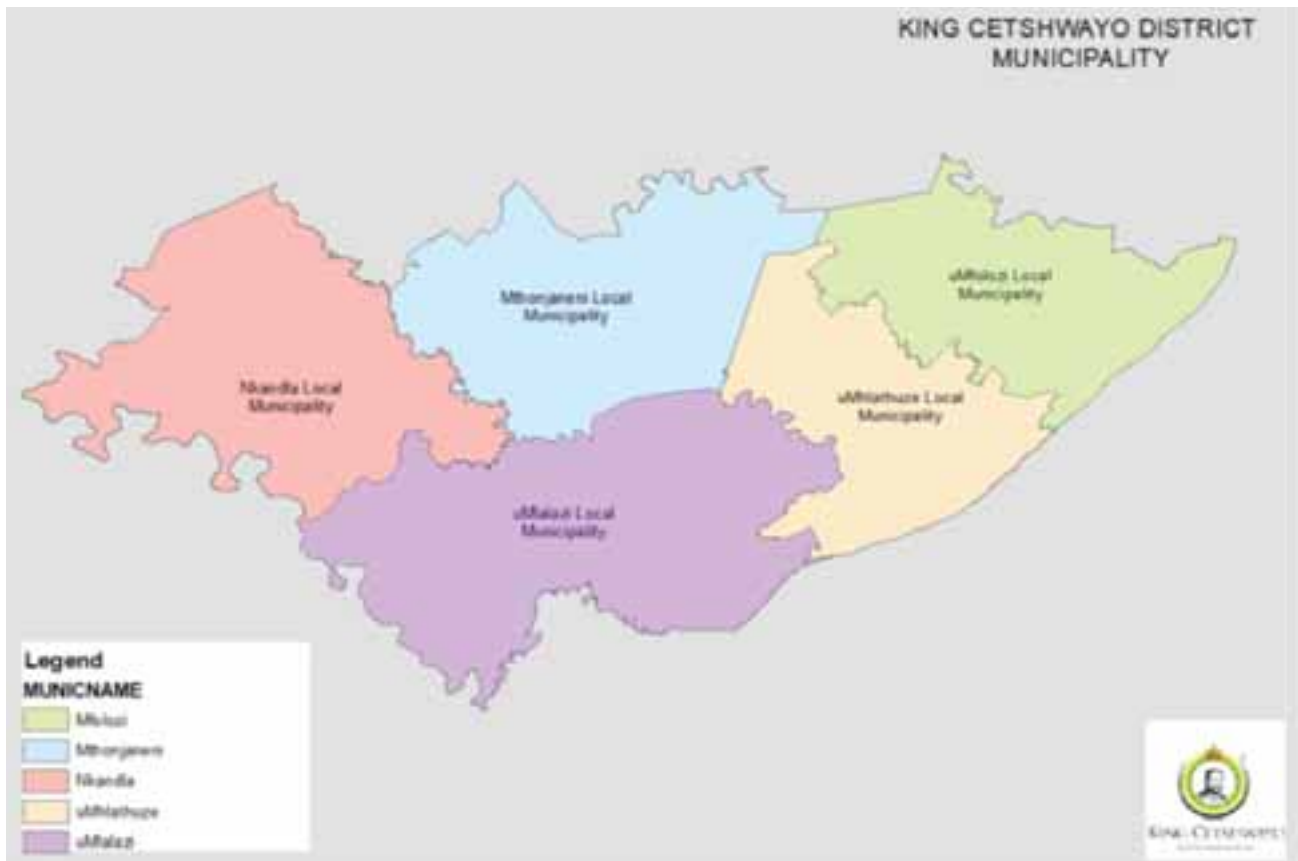
Existing plant operating section 21 listed activities in terms of AQA must comply with Minimum Emission Standards (MES) for new plant as contained in Part 3 of Government Notice Regulation (GNR) 893 of 22 November 2013, as amended by 01 April 2020,

Postponement or Suspension of compliance time frames as contemplated in paragraph 5.4.3.5 of the National Framework for Air Quality Management in the Republic of South Africa, published in terms of Section 7 of NEMAQA, an application may be made to the National Air Quality Officer for the postponement of the compliance time frames in paragraph (9) and (10) of Government Notice Regulation (GNR) 893 for an existing plant.

A total of seven facilities have applied for postponement of complying with the new plant minimum emission standards by 01/04/2020 which are:

- South 32
- Foskor
- Mondi Richards Bay Mill
- Richards Bay Minerals
- Tongaat Hulett Felixton Mill
- Tongaat Hulett Amatikulu Mill
- Isizinda Aluminium

3.8. DISASTER MANAGEMENT



STATUS OF DISASTER MANAGEMENT CENTRE

Fully functional although now the centre operates with other departments within the disaster centre building. The new disaster management centre business plan has been sourced for the establishment of the new disaster management centre to be constructed as standalone building as it is required by the Disaster Management Act.

STATUS OF IGR STRUCTURES.

Advisory Forum is fully functional, meeting quarterly. The dates of the forum were as follows;



Figure 1: King Cetshwayo District Advisory Forum

DMAF SITTINGS 2018/2019

Q1: 11 October 2018

Q2: 14 February 2019

Q3: 16 April 2019

Q4: 12 July 2019

DISASTER MANAGEMENT CAPACITY

The status quo of the centre is as follows.

Head of Disaster Centre, Chief Fire Officer, Disaster Officer (1), Truck Driver (1), Office Driver Assistant (1), Admin Officer (1). Outsourced communications centre: Operators (5)

STATUS OF DISASTER MANAGEMENT PLANS

LOCATION	REMARKS
King Cetshwayo District Municipality	Plan completed in 2012 and approved by Council
uMfolozi	Reviewed 2018.
uMhlathuze	Reviewed 2016.
uMlalazi	Reviewed 2018.
Mthonjaneni	Reviewed 2018.
Nkandla	Plan completed in 2016.

STATUS OF READINESS TO DEAL WITH A DISASTER:

The Disaster Management Act 57 of 2002, Section 44 speaks about the powers and function of the Disaster Centre which is assisted by Section 42 which talks about the framework in which the disaster must implement according to it and with the limited human resource, it cannot be implemented accordingly. Hence the District is semi ready for implementation of the Act and lacking in terms of capacity to deal with disasters.

This means that, if other functions would not be able to be rendered in-house, because of the lack of human capacity, then the service would be outsourced i.e. Risk Assessment.

The District is looking at establishing a new disaster management centre due to the current infrastructure housing other sections and the building is no longer ascribing to the disaster management centre minimum standard guidelines.

As much as the district doesn't have the financial capacity, it was able to procure a skid unit for Nkandla Municipal Fire Services to augment their struggling fire station in terms of vehicles and equipment.

STATUS AND RESULTS OF DISASTER RISK ASSESSMENTS UNDERTAKEN

DISASTER INCIDENTS

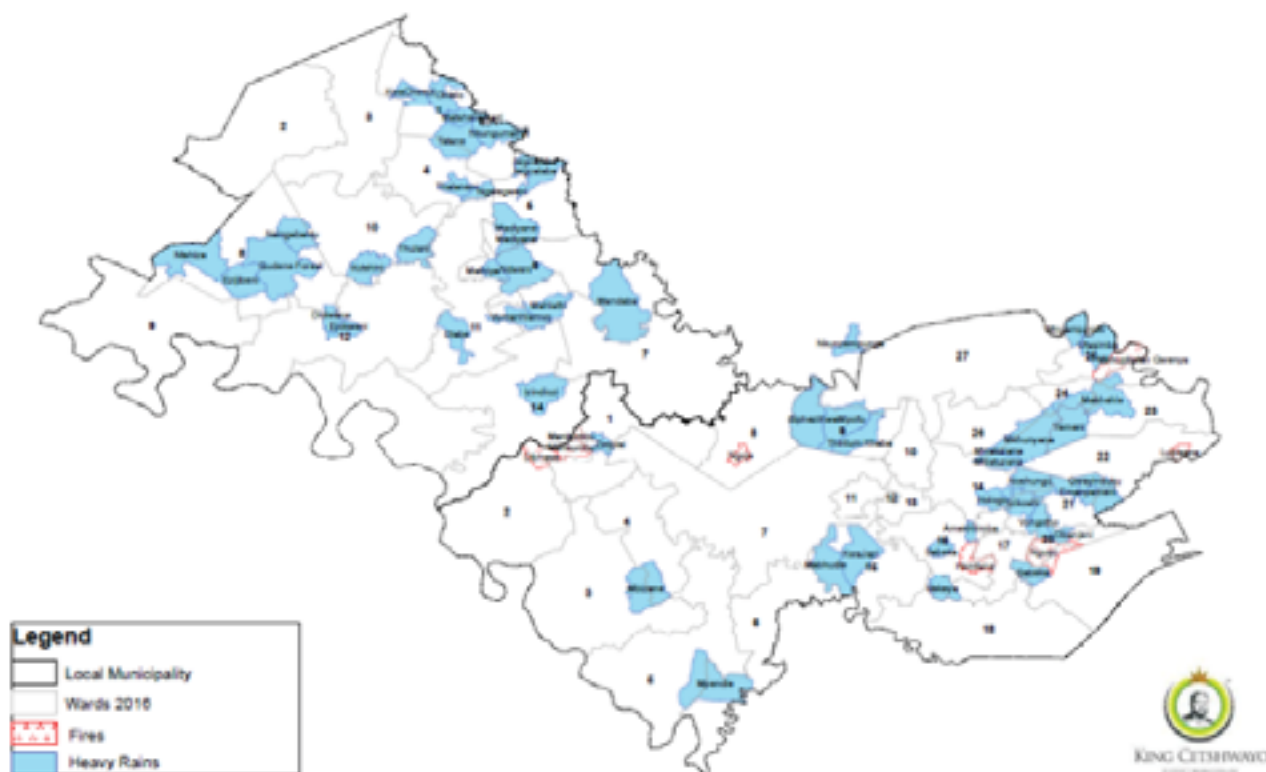
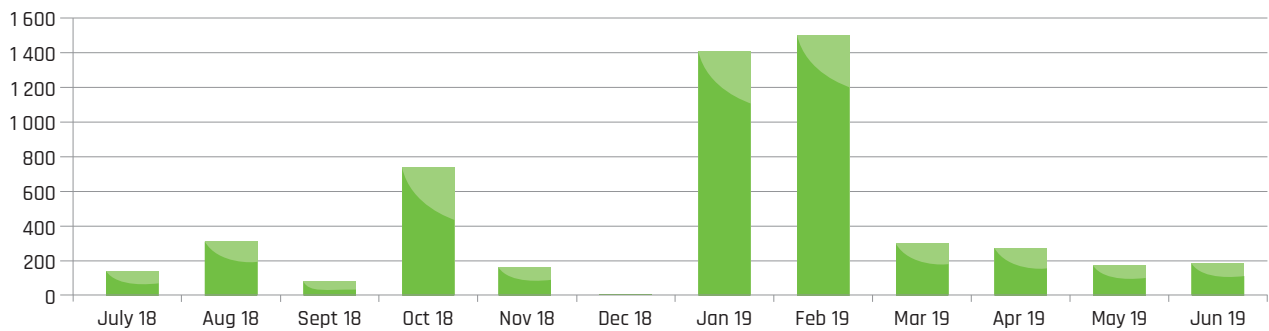


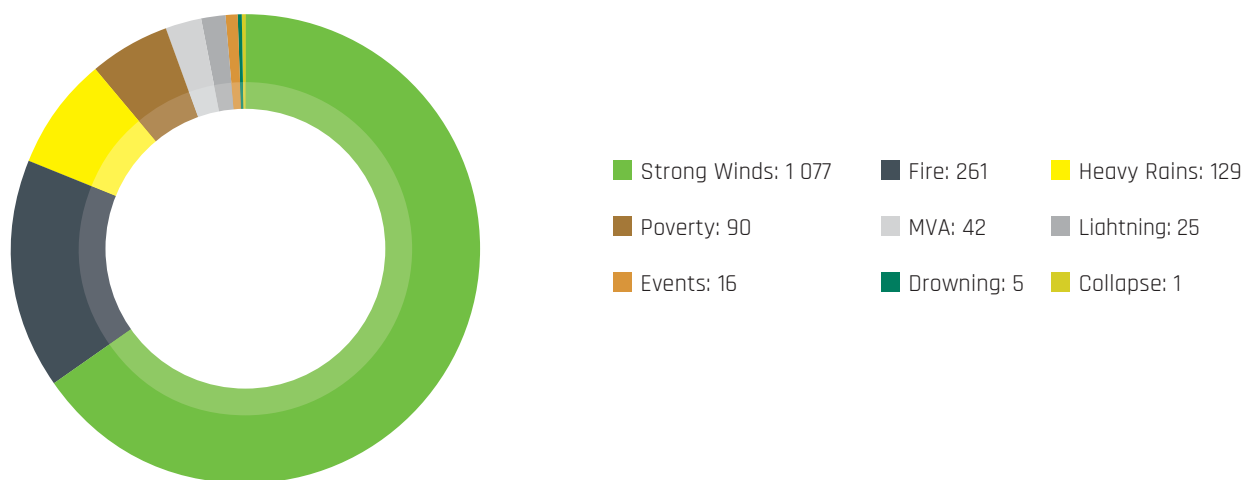
Figure 2: Map of incidents Fires and Heavy Rains.

Summary of incidents Report 2018-2019.

Incident Monthly Trend 2018/2019



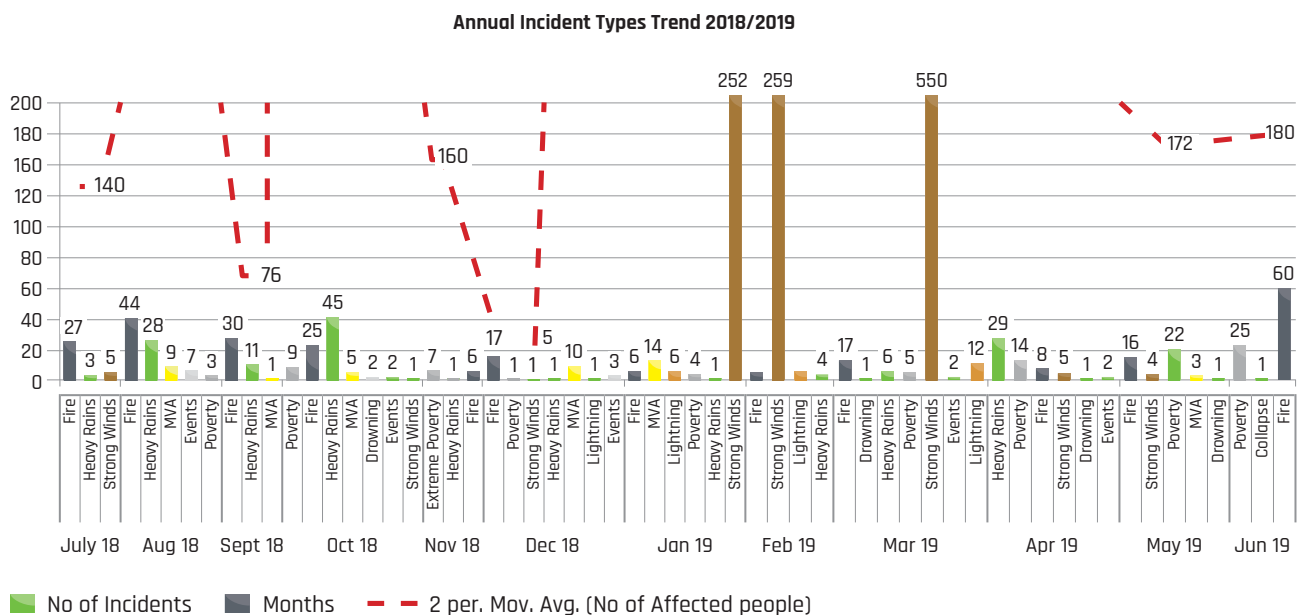
KCDM Annual Incident Type 2018/2019



Keywords : HR-Heavy Rains L-Lightning F - Fire HS - Hail storm FL- Flood SW - Strong winds

MUNICIPALITY	TYPES OF INCIDENTS	WARD	NO. OF INCIDENTS	NO. HOUSEHOLDS AFFECTED	HOUSES DESTROYED		PEOPLE AFFECTED	FATALITIES	INJURIES	MISSING PERSONS
					TOTALLY DESTROYED	PARTIALLY DAMAGED				
TOTAL			1082	1056	303	698	5378	31	83	0

ANALYSIS OF THE TYPES OF INCIDENTS DURING THE YEAR 2017/2018



PROJECTS UNDERTAKEN AND PUBLIC AWARENESS PROGRAMMES

EPWP

The EPWP disaster and fire project in the financial year 2018-2019 was earmarked to ensure **fire prevention** measured are emphasised at ward/Isigodi level.

The project is earmarking areas/izigodi under uMfolozi Municipality namely Ward 1 Sokhulu (19), Ward 3 Nkunzebomvu (18) and Ward 4 Ndlabeyilandula (20). All the available people have been enlisted on the EPWP this financial year 2019/2020 and all the areas have supervisors.

The project started in July 2018 from the budget that was earmarked by Technical Services: EPWP office and confirmed the funding of R 1 260 000 million (70 workers, R100 stipend and 15 working days) to enlist the Fire and Disaster Management Volunteers on the EPWP program 2019/2020 Financial Year. The contract is only for one year starting on 01 July 2019 ending 30 June 2020.

The tasks during the 15 days are Door to Door Campaign (Vulnerable households only), School Awareness Campaign, Public

Awareness Campaign (traditional authorities, war rooms, Fire breaks (field, households, schools, traditional courts etc.), attending meetings (fire prevention as an item), assist in conducting assessments of affected households by disaster or fire related incidents and holding monthly meetings.

The fire prevention field workers were given tools to use, such as slashers, fire beaters and knapsacks. There will also be provided with T-shirts and cricket hats, and proper protective clothing will be procured to ensure that occupational health and safety standards are adhered to.



Figure 3: EPWP recruitment uMfolozi June 2019



ACTIVITIES/ PUBLIC AWARENESS 2018/2019

QUARTER	ACTIVITIES
QUARTER 1	July 2018 uMhlathuze Municipality, Nkosazana Primary School, Matshana area. The aim was to create awareness of the disaster and fire hazards prevalent or that harm learners and up keeping with the Nelson Mandela 67 minutes, the EHS, DoH and disaster management also assisted with cleaning the school. Environmental Health section (EHS) created awareness around hygiene, food handling and good health.
	16 August 2018 EPWP Field Workers Ward 31 and Ward 32 uMhlathuze, vulnerable groups households (six) were visited to ensure disaster and fire safety in the households by the disaster management team and the field workers. The program assisted the field workers to understand what issues of concern they should address when visiting such households as part of their duties.
	28 August 2018 Ward 3 Mthonjaneni, three (6) vulnerable groups households.
	Velenkosini Biyela household a male with a disability at Mkhindini area. The household is fire safe but there is a need for a wheelchair.
	Nonhlanhla Mathaba a child headed household at Mayini area. The family situation is that of poverty and an intervention is needed to ensure that the children are taken care of since there is no adult.
	Nokuthula Mpungose a senior citizen household at Njomelwane area. The elder is living in poverty with a fire safety issue a concern but materials issue will lessen the likelihood of a fire.
	04 September 2018 Fire Station, Nkandla Municipality. The disaster management centre handed over the skid unit and conducted a fire safety awareness. A fire assessment was conducted by the District Fire Chief Officer and the outcome was that Nkandla was in need of a fire equipment that would assist the community whilst their fire engine went for repairs.
QUARTER 2	29 September 2018, uMlalazi Fire and Disaster Workshop: Amakhosi and Councillors. The workshop was aimed at capacitating leadership on fire and disaster legislation, functions of local and government sphere. It also highlighted challenges of both functions that impact negatively on the service delivery of community safety.
	25 October 2018 uMlalazi Municipality, Thafeni area and 30 October 2018 Mthonjaneni Municipality Siyavuna area celebration of the IDDR The aim was to create awareness on the risks faced by people with disabilities especially in the households and to share information on how to minimize or prevent the risks and saving the life of a disable person. Valuable lesson learnt from the chairperson of people with disabilities Mr. Sibiya is that information should be shared to enable a disabled person to try or devise a plan according to their ability to create a safe environment. He further shared that despite his disability he can do all the house chores including cooking.
QUARTER 3	09 November 2018 Thafeni Primary School, 20 November Siyavuna Primary School and Bhiliya Primary School. The learners were made aware of the dangers of the summer month which is characterized by thunderstorms, strong winds, lightning, drownings and specialized events. These incidents mostly affect school going children in the household, field and area around them. The dangers of drownings were also highlighted and implored the learners to be very careful, swiftly report lightning or drownings witnessed and listen to the warnings of the parents. Environmental Health Services which partnered with the Disaster Management Centre to conduct this school awareness indicated the dangers around streams, dams, and rivers as they pose danger such as contracting cholera and bilharzia. Symptoms were highlighted and also swift reporting of these symptoms.
	28 May 2019 uMhlathuze Municipality, Nseleni area Ward 7. The following households were visited; Zulu Household Myaka Household Mthethwa Household Mlondo Household Khumalo Household Nkosi Household Zulu Household
	30 May 2019 Ntshingimpisi Hall Ward 14, there was an awareness with the war room members and Councillor. The aim was to create awareness on the risks that each different stakeholder has noticed this winter season and encourage a risk avoidance behavior.
	30 May 2019 Mzingazi area Ward 14, The following households were visited; Mhlongo Household Ngema Household Ndlazi Household MaZungu Mhlongo Household Nkosi Household Zulu Household

ACTIVITIES/ PUBLIC AWARENESS 2018/2019

QUARTER	ACTIVITIES	PICTURES
QUARTER 3	On the 31 May 2019, uMlalazi Municipality hosted the International Day for Fire Fighters at eShowe Fire Station and disaster management was part of the commemoration. The day was to commemorate the fire fighters and their risky function of saving lives on the road and extinguishing fires	
	Lightning Conductor Project May 2019 6 households	
	28 May 2019 uMhlathuze Municipality, Nseleni area Ward 7. The following households were visited; Zulu Household Myaka Household Mthethwa Household Mlondo Household Khumalo Household Nkosi Household Zulu Household	
QUARTER 4	30 May 2019 Ntshingimpisi Hall Ward 14, there was an awareness with the war room members and Councillor. The aim was to create awareness on the risks that each different stakeholder has noticed this winter season and encourage a risk avoidance behaviour	
	30 May 2019 Mzingazi area Ward 14, The following households were visited; Mhlongo Household Ngema Household Ndlazi Household MaZungu Mhlongo Household Nkosi Household Zulu Household	
	On the 31 May 2019, uMlalazi Municipality hosted the International Day for Fire Fighters at eShowe Fire Station and disaster management was part of the commemoration. The day was to commemorate the fire fighters and their risky function of saving lives on the road and extinguishing fires	

BEST PRACTICE / ACHIEVEMENTS / SUCCESSES.

EPWP: Has proven to be very useful in terms of mitigation and prevention. The previous areas that had the field worker, monitoring has proved to be effective. Other permanent measures are being looked at.

Vehicles: The disaster management centre capacity in terms of vehicles were purchased and will be based at the disaster management centre and will be dedicated to disaster management officials.



CHALLENGES:

- Inadequate funding for both the Disaster Management Centre as the structure and Disaster Management Plan update and review to a level 3 plan.
- Lack of capacity equipment and human resources as the district has 99 wards and the personnel directly involved is only two personnel, the Manager: Disaster Management and the Disaster Management Officer.
- Disaster management is often given attention only when there are incidents but reports would not be forthcoming to the district. One of the resolutions taken during the engagement sessions was that each municipality should have disaster management personnel for disaster management only.
- King Cetshwayo District Municipality is predominately rural and the characteristics of these areas are poverty, non-registration documentation as citizens, lack of proper housing (mud and thatch which are vulnerable to any kind of weather), lack of basic services etc. and these communities are always at the forefront of disasters. They don't have capacity to deal with incidences, they are vulnerable to the weather, and they are faced with hazards that they can't eliminate or prevent.

OTHER DISASTER MANAGEMENT INITIATIVES

This financial year, the disaster centre has taken an initiative to plan per season, for incidences related to the seasons.

The winter season which is the month of May, June, July (it can spill over to August) is characterized by hazards such as uncontrolled fires as they pose a risk to life, property, and the environment.

The awareness is spread over the communities. For example in the winter season, the awareness is largely focused on the vulnerable citizens i.e. senior citizens where we go to the pension pay-points to conduct awareness, door to door to households with senior citizens, persons with disability and child headed household and in spring/summer, we focus on the school awareness programmes where awareness is created due to the large number of drownings and lightning, reported. The disaster management centre even have posters that speaks to the awareness that is brought to the community.

DISASTERS AND DISASTER-RELATED INCIDENTS THAT OCCURRED BETWEEN 01 JULY 2018 AND 30 JUNE 2019

There's a noticeable pattern of heavy rainfall incidents that occurred last year (2016/2017). In May 2017 heavy rain occurred and again in May 2018 which also spilled to this financial year around April 2019.

The storm that occurred on the 18 April 2019 affected the aforementioned areas in various ways and intensity. On the same night around 23:15, the forewarned inclement weather system tragically affected the Ndlangubo area within the City of uMhlathuze in the King Cetshwayo District Municipality (along R34 route) in which the Pentecostal Holiness Church (PHC) is situated (Latitude: -28.696333; Longitude: 31.733201).

The declared is on the affected households during the storm (no other municipal infrastructure damage was reported) which will be administered and implemented by Department of Human Settlements.

There were other areas under KCDM that were affected and included in the declaration such as uMfolozi, uMlalazi and Nkandla.

TARGETS	1 ST QUARTER			2 ND QUARTER			3 RD QUARTER			4 TH QUARTER		
Type of Incidents	J	A	S	O	N	D	J	F	M	A	M	J
Strong Wind	5	-	-	1	-	1	252	300	550	5	4	-
Heavy Rainfall	3	28	11	45	1	1	1	4	6	29	-	-
Lightning	-	-	-	-	-	1	6	6	12	0	-	-
Hail Storm	-	-	-	-	-	-	-	-	-	0	-	-
Fire	27	44	30	25	6	17	6	7	17	8	16	60
Extreme Poverty	-	3	-	9	7	1	4	13	5	14	22	25
MVA	-	9	1	5	-	10	14	-	0	0	3	-
Special Events	-	7	-	2	-	3	-	-	2	2	-	1
Drowning	-	-	-	2	1	-	-	-	1	1	1	-
TOTAL	35	91	42	89	15	34	283	330	593	59	4	86

In summary the incidents that were reported for the financial year June 2018 to July 2019: Strong winds which had a number of one thousand seventy-seven (1077) reports of which reports in January totalled 252 and in February 2019 in uMlalazi Municipality of Fire totalled 261 which is a feature throughout the year and Heavy Rain of 169 incidents.

There were (1082) households affected and (5378) people were impacted by all the incidents. Fatalities totalled 31 and injuries totalled 83 due to MVAs in the month of May 2018.

Legal Services played an active role in the development and review of various policies in the organisation in order to ensure that necessary controls are implemented and maintained to ensure compliance with laws.

Legal Services is committed to sharing best practices with and providing assistance and legal education to the local municipalities in the district, especially on legal and risk management issues that have major impact on service delivery matters. In this regard, legal services established the District Legal Services Forum, which consists of legal, and risk management practitioners from the district and the local municipalities.

The Contract Management Unit has developed a Contract Register for the entire organisation. The Contract Register includes an allocation of unique contract numbers for each contract in line with the approved file plan and updated contract value amounts as per the expenditure report of the Municipality

COMPONENT F: PROPERTY AND LEGAL

3.9. LEGAL SERVICES

The role of Legal Services is to ensure that the Municipality conducts its business within the applicable legal framework. In this regard, Legal Services provides an information legal service to the Municipality and the District.

New manual and electronic files are created and stored on eDocs and filed with Registry with file movement procedure in place. Contract management policies have been approved by Council Service Level Agreements are entered into with service providers for every contract awarded.

Contract Management has a software in place to track start and end dates of contracts in advance and such data is shared with user departments to advise them of contracts due to expire.

3.10. RISK MANAGEMENT

Section 62 (1) (c) (i) and Section 95 (C) (1) of the MFMA, require the Accounting Officer to ensure that their municipalities and municipal activities have and maintain effective, efficient and transparent systems of risk management. Risk Management is a valuable management tool which increases an institution's prospects of success through minimising negative outcomes and optimising opportunities.

- Disclosure of conflict of interests: employees and councillors are obligated to fill in disclosure of interest forms which are kept by Human Resources section.
- Qualification checks: KCDM appoints an independent Service Provider through SCM processes to conduct vetting of qualifications.
- Effective utilisation of Whistle-blowing: KCDM appoints an Independent Whistle blowing hotline, which files monthly reports. It is deemed to be effective. Part of the Service Level Agreement is that they conduct awareness workshops to all KCDM staff annually. The Chief Risk Officer conducts presentations on our whistle blower hotline to all new employees during their induction programmes.
- Communication of Risk: it is timely and transparent. We have quarterly meetings with Risk Committee Members, who are at the Management level, and who thereafter discuss the identified risks within their departments, assisted by Risk Champions.
- Existence of Risk Management system: Risk Management Policies have been adopted by Council.

RISK MANAGEMENT – INFORMATION ON ASPECTS OF RISK MANAGEMENT

Risk Culture

The tone at the top, attitude of the KCDM top management and Council towards risk is positive.

Council approved the following policies under Risk Management

- Risk Management Policy on 30/2018,
- Anti-fraud and corruption Policy on 30/11/2018,

- Blacklisting Policy on 28/06/2018, and
- Anti-Fraud and Corruption Strategy & Prevention strategy.
- Commitment to ethical principles:
- Code of conduct for KCDM employees is signed annually and by new employees.

The Risk maturity level is dynamic and we have advanced ERM processes, including the assessment of all risk categories, at all levels.

The following depicts the process that is followed:

- Objective confirmation
- Risk identification
- Inherent risk rating
- Identification of existing controls
- Control effectiveness rating
- Identification of mitigation action plans.
- Likelihood
- Certain
- Likely
- Moderate
- Unlikely
- Rare

RISK COMMITTEE MEETINGS AND RISK ASSESSMENT: FINANCIAL YEAR 2018/2019

Risk Assessment Meetings were conducted in Quarter 1 on 10 and 17 September 2018 respectively, and the Risk Assessment report was developed.

Risk Committee meeting for quarter 2 was held on 18 December 2018

Risk committee meeting for quarter 3 was held on 06 March 2019

Risk Committee meeting for quarter 4 was held on 13 June 2019.

ANTI-FRAUD AND CORRUPTION AWARENESS

Anti-Fraud and Corruption awareness campaign were conducted to KCDM staff on the following dates:

- 12 February 2019
- 28 May 2019
- 19 June 2019

The KCDM Risk Management team ensures that the Accounting Officer maintains effective, efficient and transparent systems of risk management. Public Sector Risk Management Framework (published on 1 April 2010) states that, no organisation has the luxury of functioning in a risk-free environment and public institutions are especially vulnerable to risks associated with fulfilling their mandates.

COMPONENT G: ADMINISTRATIVE SERVICES

The Administrative Services Section is part of the Corporate Services Department. The core functions of this Section is Records and Registry Management, Secretariat Services and Auxiliary Services which includes the general office services, security issues and telecommunication.

3.11. RECORDS AND REGISTRY MANAGEMENT SECTION

This Section is responsible for the process of ensuring the proper creation, maintenance, use and disposal of records to achieve efficient, transparent and accountable governance. This Section's actions are bound by the Statutory and Regulatory Framework in which sound records management practice is found i.e. The National Archives and Records Service of South Africa Act (Act No 43 of 1996 as amended) and The Promotion of Access

to Information Act (Act No.2 of 2000). The Records Management Policy has been approved by Council to ensure that this Council promotes transparency, accountability and effective governance by empowering and educating the officials to understand and exercise their rights. Council makes use of eDocs for its Electronic Document and Record Management and makes use of Metro File for off-site record keeping. An Access to Information Manual is updated and submitted to relevant Government Departments annually as per the legislative requirement.

The Section has successfully worked hand in hand with Provincial Archives to effect disposals and disposal authorities as prescribed by the Records Management Act and this is fully functional and implemented through Metro File.

SECRETARIAT SERVICES

With the staff complement of two Committee Officers and an intern, the Admin Section is responsible for managing the provision of secretariat service to ExCo, Council, the Section 79 and Section 80 Committees within the municipality. This Section arranges all meetings including all the necessary logistical requirements, drafting of agendas and minutes of meetings. The quality control of all documents, agendas and minutes that get distributed to the Committee members is part of the responsibilities of the Section Head. It also keeps track and register of the decisions taken by the Committees. It is again tasked to ensure that all meetings take place according to the Standing Rules and Orders, pre-approved schedules and according to the Terms of Reference of the respective Committees.

In the 2018/2019 financial year this council held meetings as follows:

MEETING	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Exco	4	4	4	4
Council	4	4	3	3
Finance	3	3	4	3
Corporate	2	2	1	2
Community	3	2	2	2
Planning & Eco Dev.	3	1	2	1
Technical	4	2	2	2
Rules	1	0	1	1
Municipal Public Accounts Committee	3	2	2	1
Audit	3	3	3	3

AUXILIARY SERVICES SECTION

The Auxiliary Services performed in this section are General office services which include tele-communication services (PABX), photocopy and messenger service together with the cleaning service. The cleaning service is performed in-house by 18 cleaners who are full time employees of King Cetshwayo District Municipality. Auxiliary Service Unit is also assigned with the responsibility of guarding and managing security of facilities within Council. This covers physical security measures for the safeguarding of the premises, personnel, equipment and assets. The surveillance cameras were commissioned to enhance and improve the security measures within the premises.

COMPONENT H: ORGANISATIONAL PERFORMANCE SCORECARD

This component includes: Annual Performance Scorecard Report for the current year.

3.11. ORGANISATIONAL PERFORMANCE MANAGEMENT SYSTEM



KING CETSHWAYO DISTRICT MUNICIPALITY

ANNUAL PERFORMANCE REPORT

FOR THE 2018/2019 FINANCIAL YEAR

ORGANISATIONAL PERFORMANCE MANAGEMENT SYSTEM

1. LEGISLATIVE REQUIREMENTS

Outlined in Section 40 of the Municipal Systems Act of 2000 (MSA) "A municipality must establish mechanisms to monitor and review its Performance Management System", so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels. In terms of Section 34 of the MSA a municipal council must review its integrated development plan annually in accordance with an assessment of its performance measurements in terms of section 41. During the IDP review process the Key Performance Areas, Key Performance Indicators and Performance targets are reviewed, this review will form the basis of the review of the Organisational Performance Management and Performance contracts of Section 54/56 Managers.

The Municipal Planning and Performance Management Regulations (2001) stipulates that a "municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players" (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

Section 46 of the Municipal Systems Act (ACT 32 of 2000) stipulates the following:

Annual performance reports

- 46 (1) A municipality must prepare for each financial year a performance report reflecting:
- (a) the performance of the municipality and of each external service provider during the financial year;

- (b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year;
- (c) measures taken to improve performance.

- (2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Financial Management Act.

2. INTRODUCTION

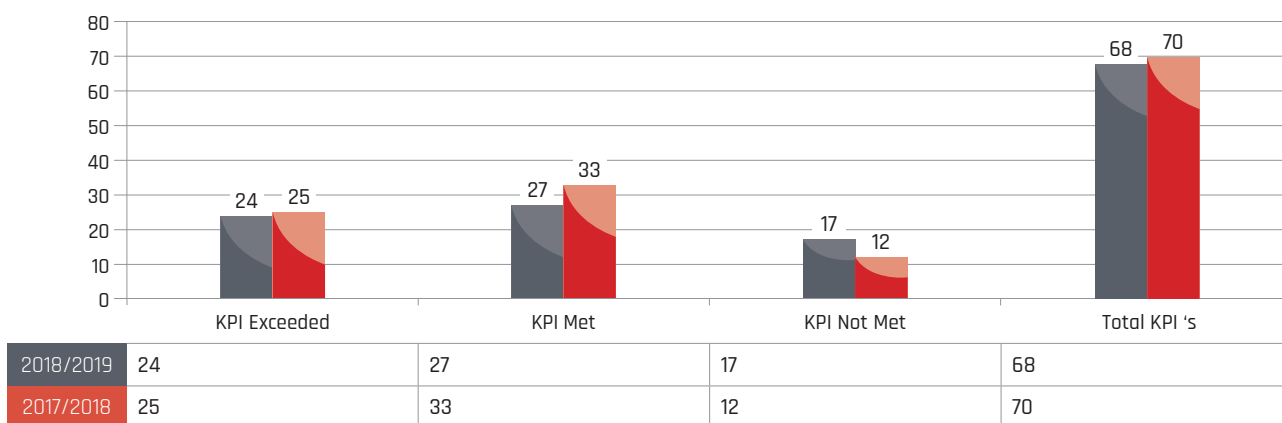
The 2018/2019 Performance Management Framework and Standard Operating procedures (KCDMC:1337/2018) and Performance Management Policy (KCDMC:1314/2018) was approved on 28 June 2018 for the 2018/2019 financial year.

This report includes highlights from the key performance measures included in the Integrated Development Plan (IDP) for the 2018/2019 financial year. These priority measures constitute the Organisational Scorecard for 2018/ 2019.

At the end of quarter 4 (April to June 2019) 75% of priority performance measures have been met or exceeded the year-end target. Areas for improvement are shown in the Organisational Performance Scorecard for 2018/2019, the accountable officials have provided commentary to put performance into context and identified actions that are taken to address under performance.

The overall performance for the 2018/2019 financial year shows a slight decrease when compared to 2017/2018 financial year. Performance and monitoring underpins the municipality's IDP in terms of reviewing progress regularly as well as achieving priorities and delivering value for money to the communities that we serve. Early investigation of variances enables remedial action to be taken where appropriate.

The following graph compares overall performance for the 2018/2019 financial year and the 2017/2018 financial year.



Graph: Comparative target achievement information

3. ORGANISATIONAL PERFORMANCE MANAGEMENT PROCESS

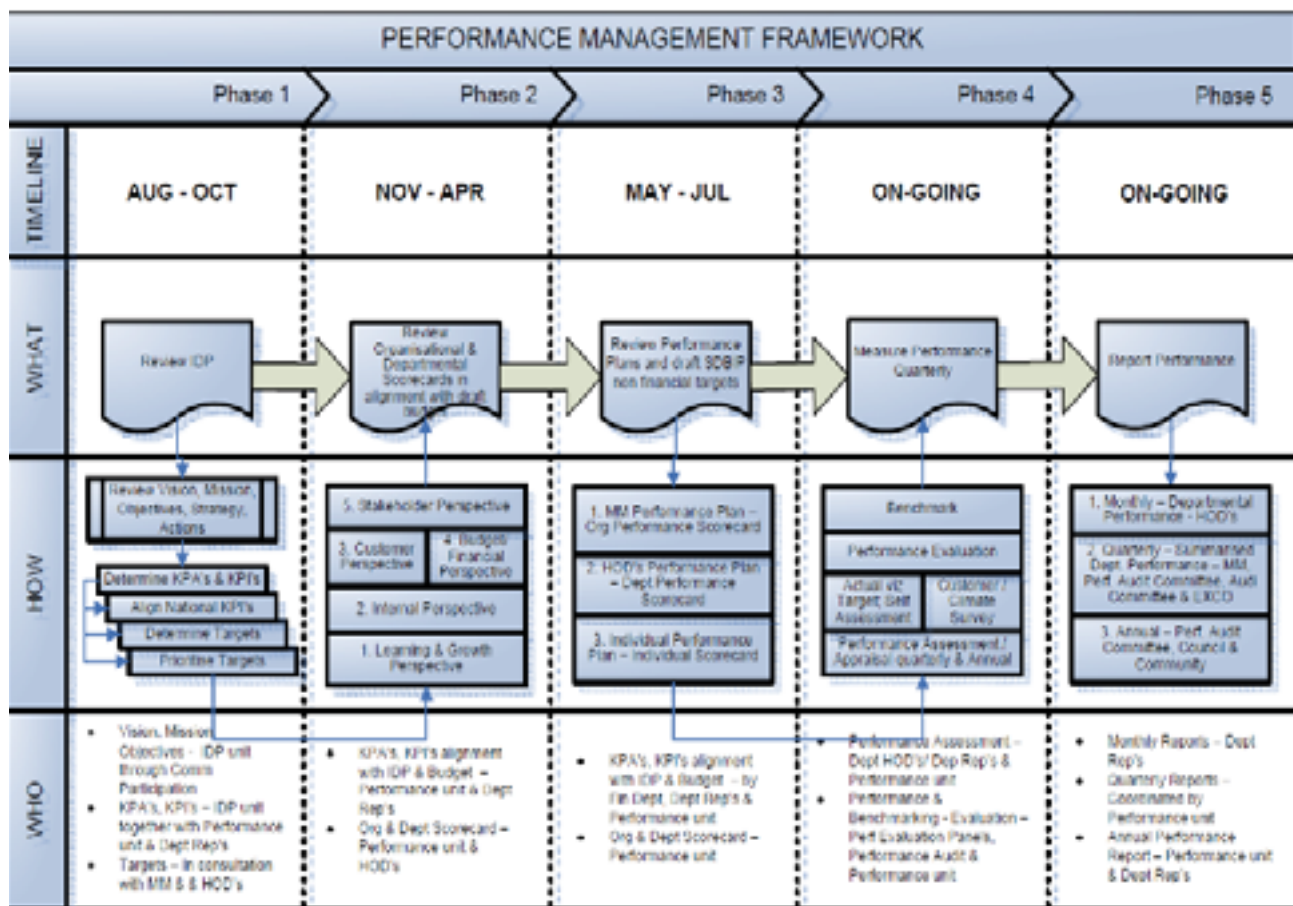
Key performance indicators have been refined in support of the municipality's development priorities and objectives as set out in the revised IDP framework and will remain for the duration of the IDP period for consistency in measuring and reporting on long term strategies and projects. Measurable performance targets with regard to each of these development priorities and objectives were established. A process to ensure regular monitoring of performance is in place through the submission of quarterly performance reports to the Performance Audit Committee and thereafter Council.

Individual agreements and performance plans were prepared in line with provisions prescribed in the Performance Regulations

(Notice 805, published on 1 August 2006 in the official gazette) and signed by the Municipal Manager and Senior Managers. These agreements are fully implemented and aligned with the Service Delivery and Budget Implementation Plan as required in terms of the Municipal Finance Management Act.

The Performance Evaluation Committee was established for the assessment of the performance of the Municipal Manager as well as Managers directly accountable to the Municipal Manager. The committee meets on a quarterly basis to evaluate individual performance.

The following diagram illustrates a summary of the performance management framework for King Cetshwayo District Municipality for performance measures and reporting adhering to the guidelines suggested by KwaZulu-Natal Province, Department of Cooperative Governance and Traditional Affairs:



4. PERFORMANCE AUDIT COMMITTEE

The Performance Audit Committee members for the 2018/2019 financial year were as follows:

Mr Z Mzimela - Chairperson
Prof JLW de Clercq- Member
Cllr DJ Ndimande - Member

The Performance Audit Committee meetings took place as required by legislation on 27 August 2018, 19 December 2018 and 18 June 2019, minutes of these meetings are available in the Portfolio of Evidence of the Municipal Manager.

5. AUDITING OF PERFORMANCE INFORMATION

The Municipal Systems Act 2000, Section 45 requires that the results of the performance measurements in terms of section 41 (1) c, must be audited as part of the internal auditing process and annually by the Auditor-General. All auditing must comply with section 14 of the Municipal Planning and Performance Management Regulations, 2001 (Regulation 796).

Ngubane and Company was appointed by King Cetshwayo District Municipality to perform the Internal Audit function within the municipality. As part of their scope, auditing of the Performance Management System and of Performance Information was performed and reports were received for each quarter in terms of the following:

Review of the performance management scorecards for the 2018/2019 financial year to determine whether the Key Performance Indicators (KPI's) are SMART, to determine whether the Individual Performance Management Scorecards (IPMS) KPI's

are aligned to the performance targets as per Service Delivery and Budget Implementation Plan (SDBIP) and to ensure that each performance indicators on the Organisational Performance Management Scorecard (OPMS) are aligned to the Standard Operating Procedures. This report is dated 21 June 2018.

QUARTER 1

Review the functionality of the Performance Management System and management's compliance thereto. This report is dated 30 November 2018.

QUARTER 2:

Review the functionality of the Performance Management System and management's compliance thereto. This report is dated 25 February 2018.

Review scorecards on a test basis to supporting evidence on a sample basis, record the systems that are used to generate the performance information and perform walkthrough testing to validate (AOPI), and perform detailed testing on selected performance information (AOPI). Dated 13 March 2019 for the review of 2018/2019 amended targets

QUARTER 3:

Review the Midyear Performance report and to confirm the validity, accuracy, and completeness of reported performance information. This report is dated 13 March 2019.

QUARTER 4:

Review scorecards on a test basis to supporting evidence on a sample basis, perform detailed testing on selected performance information (AOPI); and ensure the accuracy and validity of the information included in the annual report based on the evidence inspected, on a sample basis.

6. PERFORMANCE OF EXTERNAL SERVICE PROVIDERS

The monitoring of the service provider performance is ensured through the signing of Service Level Agreements. It is currently being done on a user department level. The end user department provides reports on performance of service providers through Council's committee structures.

The following are the service providers engaged in each business unit during the 2018/2019 financial year focusing on the critical functional areas of the municipality:

ASSESSMENT OF EXTERNAL SERVICE PROVIDERS						
External Service Provider	Service provided in terms of signed SLA	Performance Target / Timeframes	Assessment of Service Providers Performance	Performance Review	PoE and corrective measure in case of underperformance	Scoring Performance of the Service Provider Using 1-5 rating scale: 1=Poor; 2=Fair; 3=Good; 4=Very Good; 5=Excellent
CAB Holdings	KCDM/42/2016	1 March 2018 – 30 June 2019	The tender is for the printing of monthly debtor statements as well as the emailing of statements where the consumer has elected for such. The service provider is provided with debtor statements electronically, and such information must be printed in a pre-approved format.	The services were rendered in accordance with the scope of work as per tender specifications.		4
G4S Cash Management	Secured through requisition	Month to Month	Provision of cash in transit facility, requiring the service provider to collect cash from each of Councils various cash offices and transport the cash to the banks cash handling facility. In addition, the service provider on predetermined days also provide the consumables required for the safe storage of cash. Furthermore, provide insurance for cash held during transportation to the bankers.	The services were rendered in accordance with the scope of work as per requirements		4
Consumer Profile Bureau (CPB)	KCDM/21/2016	9 November 2016 to 30 June 2019	The tender is for the provision of online debtor tracing and credit bureau reports	The services were rendered in accordance with the scope of work as per tender specifications. All assignments in respect of bulk processing were done within prescribed timeframes and in accordance with the agreed prerequisites.		4

6. PERFORMANCE OF EXTERNAL SERVICE PROVIDERS ...CONTINUED

ASSESSMENT OF EXTERNAL SERVICE PROVIDERS					
Venus-Business Connexion	Sole Provider	Ongoing	The contract is for the provision, maintenance, support and ongoing development of the Financial system with cognizance to applicable legislation and accounting standards.	<p>Revenue: Services rendered were in the form of provision of a revenue management system, which was supported through telephonic support and on site consultant as and when required. Systems are periodically adapted to accommodate regulatory changes as well as user requested amendments.</p> <p>Expenditure: During the period under review, BCX consultants were on site to assist with year-end process and services were rendered satisfactorily.</p> <p>SCM: During the period under review the service provided was rendered satisfactory. No challenges were experienced</p> <p>Budgets: MSCOA was implemented successfully on 1 July 2018. The integration of UFPD expenditure is still being processed through journal. The KCDM Council has approved the retention of BCX as the municipality's systems vendor. In February a meeting was held with the vendor to go through the implementation Plan. The appointment letter has been issued and a project kick-off meeting took place on the 4th April 2019. Project Implementation is on-going.</p> <p>Management Accounts and Assets: During the period under review the services were rendered satisfactory. No challenges were experienced.</p>	4

6. PERFORMANCE OF EXTERNAL SERVICE PROVIDERS ...CONTINUED

ASSESSMENT OF EXTERNAL SERVICE PROVIDERS						
NEDBANK	UDM /26/2015	1 July 2016 to 30 June 2021	The service provider performs the function as the District's bankers.	The services were rendered to the satisfaction of the department during the period under review.		4
SANKOFA Pty Ltd	KCDM/02/2018	1 July 2018 - 30 June 2021	The Contract entails the administration of Council's insurance portfolio	Council has approved the variation to the contract pertaining to the underwriters in June 2019 and a section 116 was followed with no objections been received by 30 June 2019. The service provider has confirmed that cover is in place with the new underwriters.		4
Ngubane and Partners	KCDM/02/2018	01 July 2018 to 30 June 2020	The contract entails the provision of internal audit services	The plan for 2018/2019 was finalized and approved by the audit committee. The internal auditors are finalising the Q3 reports and will commence with Q4 audits.		4
PWC	UDM/08/2016	01 July 2016 to 30 June 2019	The contract entails the provision of specialized actuarial services to calculate the Defined benefits provision for AFS	The service provider finalised the actuarial calculation for defined benefits which was incorporated into the 2017/2018 financial statements. The next assignment will be in July 2019 for the valuation of employee benefits as at 30 June 2019. The municipality has already engaged with the service provider in terms of the agreed upon dates for the 2018/2019 actuarial valuation.		4
Bhekonazo Trading	KCDM/11/2018	20 Oct 2018- 19 Oct 2021	Tender for the Supply, Delivery and off-loading of stationery for King Cetshwayo District Municipality for three years	During the period under review the service provided was rendered satisfactory. The service provider has shown improvements.		4
RIS Vehicle Hire cc	KCDM/08/2018	September / October 2018- June 2021	Tender for the supply and delivery of a motor vehicle fleet on a full maintenance lease for the period ending June 2021 not exceeding 120 000 Km	The services were rendered to the satisfaction of the department during the period under review. Administration issues that occurred in the month have been raised with the service provider and have been given priority.		4

7. ANNUAL ORGANISATIONAL PERFORMANCE INFORMATION

The Annual Performance Report for the 2018/2019 financial year has been completed and reflected in the Organisational Performance Scorecard in a table format (as prescribed by KZN CoGTA). The Organisational Performance Scorecard table will be presented to the Auditor General for auditing together with the Annual Financial Statements and Draft Annual Report by 31 August 2019.

This Annual Performance Report (Tables) should be read in conjunction with the Annual Report, including the Annual Financial Statements as well as the Auditor General Report on the Annual Financial Statements and Performance Information for 2018/2019 financial year.

The colour coded system used to report performance is as follows:

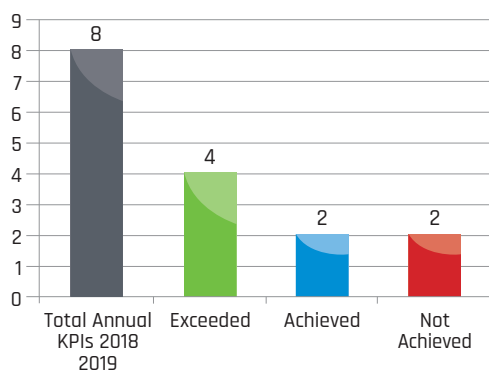
- **Blue** - Performance above 2% of the target
- **Green** - Performance meets target
- **Amber** - Performance less than 5% adverse target
- **Red** - Performance more than 5% adverse target.

In the 2018/2019 OPMS there were 68 targets. Out of 68 targets, 51 targets were achieved. The breakdown of the indicators is as follows:

Key Performance Area 1: Municipal Transformation and Institutional Development:

TOTAL NUMBER OF TARGETS	NO. OF TARGETS EXCEEDED	NO. OF TARGET ACHIEVED	NO. OF TARGET NOT ACHIEVED	OVERALL PERCENTAGE
8	4	3	2	75%

KPA 1: Municipal Transformation And Institutional Development



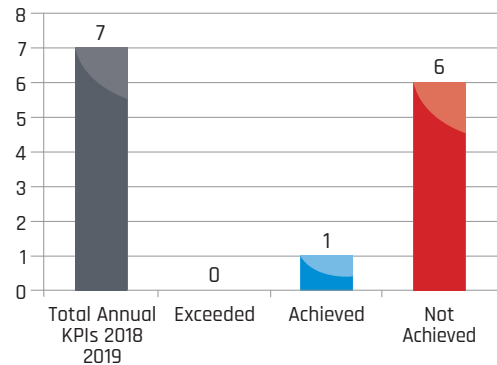
KPA 1: Municipal Transformation and Institutional Development	8	4	3	2
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Key Performance Area 2:

Basic Service Delivery:

TOTAL NUMBER OF TARGETS	NO. OF TARGETS EXCEEDED	NO. OF TARGET ACHIEVED	NO. OF TARGET NOT ACHIEVED	OVERALL PERCENTAGE
7	0	1	6	14.29%

KPA 2: Basic Service Delivery

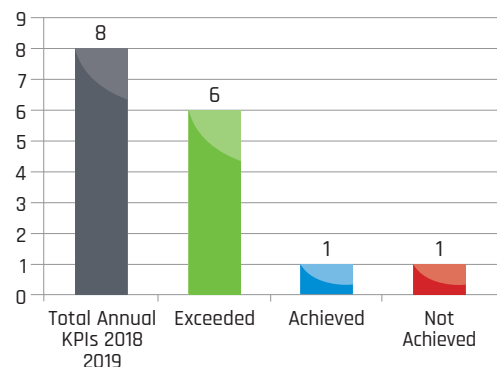


KPA 2: Basic Service Delivery	7	0	1	6
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Key Performance Area 3: Local Economic Development (LED):

TOTAL NUMBER OF TARGETS	NO. OF TARGETS EXCEEDED	NO. OF TARGET ACHIEVED	NO. OF TARGET NOT ACHIEVED	OVERALL PERCENTAGE
8	6	1	1	87.50%

KPA 3: Local Economic Development

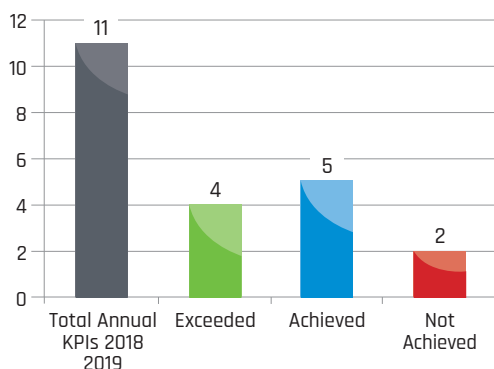


KPA 3: Local Economic Development	8	6	1	1
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Key Performance Area 4: Municipal Financial Viability and Management:

TOTAL NUMBER OF TARGETS	NO. OF TARGETS EXCEEDED	NO. OF TARGET ACHIEVED	NO. OF TARGET NOT ACHIEVED	OVERALL PERCENTAGE
11	4	5	2	81.81%

KPA 4: Financial Viability



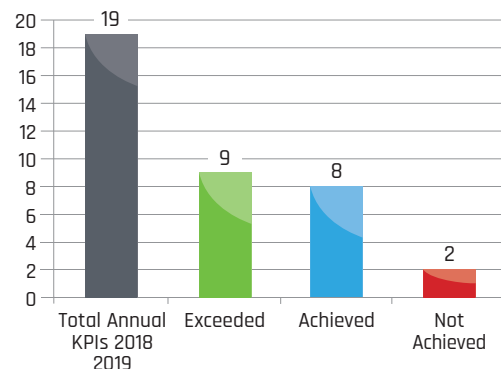
KPA 4: Financial Viability	11	4	5	2
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Key Performance Area 6:

Cross Cutting:

TOTAL NUMBER OF TARGETS	NO. OF TARGETS EXCEEDED	NO. OF TARGET ACHIEVED	NO. OF TARGET NOT ACHIEVED	OVERALL PERCENTAGE
19	9	8	2	89.47%

KPA 6: Cross Cutting

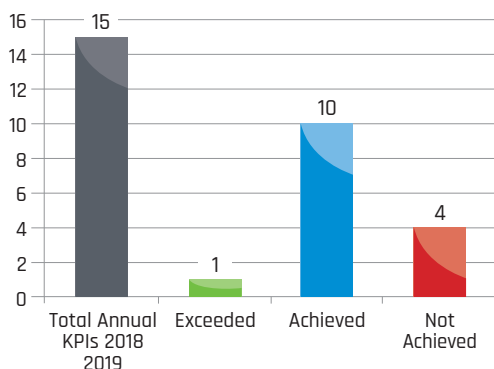


KPA 6: Cross Cutting	19	9	8	2
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Key Performance Area 5: Good Governance and Public Participation:

TOTAL NUMBER OF TARGETS	NO. OF TARGETS EXCEEDED	NO. OF TARGET ACHIEVED	NO. OF TARGET NOT ACHIEVED	OVERALL PERCENTAGE
15	1	10	4	73.33%

KPA 5: Good Governance & Public Participation



KPA 5: Good Governance & Public Participation	15	1	10	4
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In relation to the 2018/2019-year end performance results, the final position shows that:

- 75% of measures have been met or exceed the year-end target
- 25% of measures were not achieved which is a 4.9 % decline on the overall performance compared to the 2017/2018 financial year.

The performance results for the organizational priorities can be summarized as follows:

COLOUR CODED STATUS	2018/2019 PERFORMANCE	2017/2018 PERFORMANCE
Blue – Exceeded target	35.29%	34.28%
Green – Met target	39.70%	48.57%
Amber – Missed target by up to 5%	0%	8.57%
Red – Missed Target by more than 5 %	25%	8.57%

7.1 MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

This KPA was consistent in its score of 75% which is the same result as the 2017/2018 financial year.

The municipality maintained its excellence in the implementation of the Workplace Skills Plan by exceeding the set target. The target was set at 300 for staff and 20 for Councillors, however at the end of the financial year, 425 officials and 22 Councillors were trained. In order to ensure continuous development of internal employees, the district has developed a training programme consisting of various training interventions as indicated in the table below:

NAME OF THE ACCREDITED PROGRAM	NQF LEVEL	OCCUPATIONAL LEVEL	ADDRESS THE EE	NUMBER OF ATTENDEES
Structured Trainings				
Municipal Finance Management	8	Senior Management	1x Female	17
		Skilled	3x Females	
		Semi-Skilled	4x Females	
Management Development Program	7	Mid Management	4x Males	4
		Senior Management	1x Males	1
OD ETDP	5	Skilled	1x Female	1
Project Management	5	Skilled	5x Females	12
Monitoring, Evaluation and Research Skills	7	Mid Management	1x Female	1
Emerging Managers Programme	6	Skilled	4x Females	5
AET Level 2	1	unskilled	5x Females	11
Water and Wastewater Treatment Process	2	Semi-Skilled	3x Females	7

7.2 BASIC SERVICE DELIVERY

The results of this KPA at the end of the 2018/2019 financial year indicates a drop in performance with an achievement of 14.29 %. When compared to the results of the 2017/2018 financial year of 60%, this indicates a sharp decline of 45.71 % for the 2018/2019 financial year.

The municipality did not achieve its annual targets of 3000 new water connections and 5000 new sanitation connections. The targeted number of households for new water connections in the 2018/2019 financial year was 3000 and the municipality achieved 0 connections which is a huge drop in comparison to the 2017/2018 achievement of 2816 new water connections. The municipality has made some efforts in new sanitation connections with the achievement of 2794 new sanitation connections in the 2018/2019 financial year which is notable drop from the 7331 over achievement of new sanitation connections in the 2017/2018 financial year.

The table below outlines the 2018/2019 achievements in comparison to the 2017/2018 financial year for the indicators found under the Basic Services Delivery Key Performance Area:

BASIC SERVICE DELIVERY		
Key Performance Indicator	2018/2019 Achievement	2017/2018 Achievement
Percentage of households with access to basic water services	69.36%	69.36%
Number of households with access to basic water	80720	80720
Number of new water connections	0	2816
Percentage of households with access to basic sanitation services	96.95%	94.55%
Number of households with access to sanitation services	112 820	110 026
Number of new sanitation connections	2794	7331
Maintain the Regional Solid Waste Site as well as the transfer station in order to ensure effective operation of the sites by conducting 4 compliance audits	4	4

The municipality conducts compliance audits to ensure effective operation of the Regional Solid Waste site as well as the transfer station. The compliance audits are conducted on a quarterly basis and all four audits were conducted. The following table outlines the compliance ratings for each quarter:

AUDIT PERIOD	COMPLIANCE RATING	SOURCE
Quarter 1	94.60%	Internal report
Quarter 2	92%	Internal report
Quarter 3	91.67%	Internal report
Quarter 4	58%	External report

7.3 LOCAL ECONOMIC DEVELOPMENT (LED)

The results for this KPA for 2018/2019 financial year was met at 87.50%. This is commendable 10.5% increase from the 2017/2018 financial year.

EPWP jobs created exceeded the targeted figures for the 2018/2019 financial year. The target for the EPWP jobs was 600 and a commendable 801 jobs were created. It be noted, that the figure contains only new jobs created during the financial year. The target for the number of LED jobs created was 60 however the municipality created 46 LED jobs at the end of 2018/2019 financial year which is a notable decline in comparison with the 2017/2018 achievement of 170 LED jobs.

The set target for the number of crafters marketed was 50 and an over achievement of 82 was achieved by the end of the 2018/2019 financial year.

7.4 MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

The overall score for the KPA is 81.81% for the 2018/2019 financial year, which is a decrease of 18.19% when compared to the previous financial year as the 2017/2018 achievement for this KPA was 100%.

R 87 183 142 was collected from customers during the 2018/2019 financial year. The rand value collected has increased by R 9 592 433 in comparison to the 2017/2018 financial year.

During the 2018/2019 financial year the municipality was only able to achieve 77% expenditure on grants and subsidies.

7.5 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The results of for this KPA is for the 2018/2019 financial year is an achievement of 73.33%, this a 12.38 % decline when compared with the previous financial year's results of 85.71%.

The decline is attributed to amongst others the failure of the District Municipal Manager's and Mayor's forum Inter Governmental Relations structures to meet on a quarterly basis, however, intervention has been sourced from COGTA to assist with the functionality of the forums.

The municipality continues to excel in ensuring community participation, this is evident with the continuous success in hosting the IDP Roadshows and compliance to the monthly and quarterly monitoring tools of the Back to Basics programme. The Back to basics programme is aimed at strengthening local government by getting the basics right, putting people first and building strong municipal administrative systems and processes to ensure that administrative positions are filled with competent and committed people. During the 2018/2019 financial year, two Top Management positions were filled namely the Municipal Manager position and the Chief Operations Officer position.

At the end of the 2018/2019 financial year, the district achieved a provisional overall Back to Basics score of 70 % which is a 12% decline in comparison to the 2017/2018 financial year's overall score of 82%.

7.6 CROSS CUTTING

The KPA results remain constant in comparison with the 2017/2018 financial year at 89.47% in the 2018/2019 financial year.

SOCIAL DEVELOPMENT SERVICES:

To ensure the implementation of an Integrated Skills Development within the district, 30 youth were assisted with registration grants in January 2019 which is an increase from last year's achievement of 24 youth assisted. Furthermore, an Annual Matric Achievers Award ceremony was held on 11 January 2019 for the 2018 best performing students within the District.

The Annual SALGA games were held on 06-10 December 2018 at uMgungundlovu District Municipality in which 16 sports codes participated.

Great emphasis was placed on Community Environmental Health Awareness; the target set for the year was 40 campaigns however, an overwhelming 179 awareness campaigns were held which is an increase of 84 campaigns in comparison with the 2017/2018 financial year's achievement of 95.

NON ACHIEVEMENTS FOR THE 2018/2019 FINANCIAL YEAR

The organisation achieved 51 targets out of 68 targets and 17 targets were not achieved.

The table below provides an analysis of targets which were not achieved inclusive of reasons for non-achievements and measure for improvement:

NATIONAL KPA	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Municipal Transformation and Institutional Development	To ensure effective human resource development for staff and councillors	Implement Employee Wellness Programme	Number of Employee Assistance Programme awareness campaigns	8	7	Corporate Services
Reasons for non-achievement: The EAP Wellness tender specification indicates that the municipality must conduct one awareness campaign per quarter which totals to 4 per financial year.				Measures for improvement: To amend the target on the scorecard to be in line with the tender specification.		

NATIONAL KPA	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Municipal Transformation & Institutional Development	To enhance and evaluate municipal performance	Cascade performance management down through policy, framework and scorecards for senior managers	Date of implementation of automated PMS system	30 June 2019	Not achieved	Office of the MM
Reasons for non-achievement: The automated PMS system was included on the mSCOA system as part of sub-systems. The service provider that was appointed on mSCOA did not had an automated PMS system module.				Measures for improvement: The municipality is currently calling for service providers to do a live demonstration on the automated PMS system which are in compliance with the mSCOA requirements for procurement of the electronic PMS system. The automated system will need to have their own separate budget which is not link to mSCOA budget.		

Key Performance Area 2: Basic Service Delivery

NATIONAL KPA	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Basic Service Delivery	To ensure a basic standard of living for all through the provision of basic water delivery	Eradicate sanitation services backlog in the district through the provision of basic water services	Percentage of households with access to basic water services	71.94%	69.36%	Technical Services
			Number households with access to water services	83720	80720	
			Number of new water connections	3000	0	
Reasons for non-achievement: Contractor experienced financial challenges as a result defaulted on the contract and was finally terminated.				Measures for improvement: Another tender process will be undertaken to procure a new service provider who will complete the outstanding work within the 2019/2020 financial year.		

Key Performance Area 2: Basic Service Delivery ...continued

NATIONAL KPA	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Basic Service Delivery and Infrastructure Development	To ensure a basic standard of living for all through the provision of basic sanitation delivery	Eradicate sanitation services backlog in the district through the provision of basic sanitation services	Percentage of households with access to basic sanitation services	98.84%	96.95%	Technical Services
			Number of households with access to sanitation services	115 026	112 820	
			Number of new sanitation connections	5 000	2 794	
Reasons for non-achievement: Budget was set for 5000 units and resources (human and capital) available could not sufficient achieve the target.				Measures for improvement: Proper planning that aligns to the available resources (human and capital) will be implemented.		

Key Performance Area 4: Municipal Financial Viability and Management:

NATIONAL KPA	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Municipal Financial Viability and Management	To improve expenditure control	Improve grants and subsidies expenditure	Percentage of grants and subsidies spent	100%	60%	Office of Municipal Manager
Reasons for non-achievement: WSIG – Funds for drought relief project were transferred to the municipality late in the 3rd quarter. Procurement process for tanker reduction strategy projects delayed appointment of contractors resulting in the overlap of projects in two financial years. RBIG – Tender for KwaHlokohele SSA 1 (KCDM/RBIG/04/2018) was cancelled and re-advertised with a new closing date of October 2018, hence appointment was made late in the 3rd quarter in March 2019. The project is within the contractual obligation period including application for work permit. Greater Mthonjaneni SSA 2 Bulk Water Supply project had a slow start due to requirement for construction permit which was received on 28 August 2018 and delayed contractual requirement by the contractor as a result contraction on site was delayed and resumed later than planned.				Measures for improvement: The plan with contractors to implement is complete and implementation on the ground resumed in July 2019. All planned projects have been appointed and are under construction. Review of tender and contractual appointments for capital project tenders. The municipality to ensure that procurement process is completed within stipulated timeframes.		

Key Performance Area 5: Good Governance and Public Participation:

NATIONAL KPA	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To promote community participation and communication	Participate and coordinate district forums	Number of Technical District Committees (Municipal Manager Inter Governmental Relations Committee)	4	0	Office of the Municipal Manager/COO
			Number of District's Mayor's Forums (Mayoral Inter Governmental Relations Committee)	4	1	
Reasons for non-achievement: The Forums have not been functional due to lack of quorum owing to the busy schedule of the Municipal Managers and the District Mayors.				Measures for improvement: Assistance was sourced from CoGTA to attend the meetings and monitor the functionality of IGR structures. In future meetings will be held at 17h00 to accommodate all members.		

NATIONAL KPA	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To promote community participation and communication	Achieve sustainable development through communication and community participation	Improve community perception by conducting a community satisfaction survey	30 June 2019	Not Achieved	Office of the Municipal Manager/ COO
Reasons for non-achievement: Due to budget constraints, the survey was not conducted in the 2018/2019 financial year.				Measures for improvement: The survey will be conducted in the 2019/2020 financial year		

Key Performance Area 5: Good Governance and Public Participation: ...continued

NATIONAL KPA	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation		Implement business continuity management strategy	Finalize implementation of BCP by ensuring operational DRP site	30 June 2019	Not Achieved	Office of the Municipal Manager/ COO
Reasons for non-achievement: The DRP site at Empangeni Disaster Centre(EDC) needed to be finalised by implementing a fibre link from Richards bay to Empangeni to allow data backups to be copied every night. Therefore, this required Telkom to assist of which they experienced delays. In addition, the issues that were identified during the BCP simulation session requires improvements on the physical building which couldn't be resolved immediately since they require funding.				Measures for improvement: The link was finalised and the software to automate backups will be procured in order for data backups to be copied every night to EDC. Funding to be requested for building improvements at the DRP site.		

Key Performance Area 6: Cross Cutting:

NATIONAL KPA	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Cross Cutting	To minimize the effect of natural and other disasters on the community	Provide disaster management services to aid local municipalities within the District	Number of temporary shelters procured	10	0	Community Services
Reasons for non-achievement: Delays in the procurement process, the service provider was appointed on 03/06/2019				Measures for improvement: The service provider was appointed only on 3 June 2019 therefore the item on the appointment of the service provider will serve at the second Portfolio Committee meeting on 16/08/2019.		



The following table reflects the 2018/2019 organisational performance targets and achievements as reflected in the Integrated Development Plan.

KING CETSHWAYO DISTRICT MUNICIPALITY - OPMS SCORECARD - 2018/2019 : KING CETSHWAYO DISTRICT MUNICIPALITY																	
SOBIP INDICATOR NO.	OUTCOME 9	NATIONAL KPA	KING CETSHWAYO DEVELOPMENT GOALS	OBJECTIVES	STRATEGIES	OPMS INDICATOR NO.	PERFORMANCE INDICATOR	UNIT OF MEASURE	DEMAND	CENSUS 2011		IDP 2017/2018					
										DEMAND	BASELINE	TARGET	ACTUAL	ANNUAL TARGET	TARGET QUARTER 1	ACTUAL QUARTER 1	
GKPI (F)	IMPLEMENTED DIFFERENTIATED APPROACH TO FINANCIAL PLANNING AND SUPPORT	MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	Municipal Transformation and Institutional Development		Enhance staff and Councillors	1.1.1	Number of staff from employment equity groups employed in three highest levels of management	Number		N/A	N/A	12		10	3	2	
					Review Workplace Skills Plan	1.1.2	Date of approval of Workplace Skills Plan	Date		N/A	30-Apr-18	30-Apr-18		30-Apr-19		In the future	
						1.1.3	Percentage of salaries budget actually spent on workplace skills plan			N/A	1%	1%		1%	0,10%	22,40%	
					Provide training opportunities for staff and Councillors	1.1.4	Number of staff trained	Number		N/A	240	300		300	75	84	
						1.1.5	Number of Councillors trained	Number		N/A	20	20		20	5	7	
					Implementation of the Automated Performance Management System	1.1.6	Date of implementation of PMS automated system	Date		N/A	N/A	31-Dec-18		30-Jun-19		In the future	
					Implement Employee Wellness Programme	1.1.7	Number of Employee Assistance Programme awareness campaigns	Number		N/A	4	6		8	2	1	
					To improve programmes on information and communication technology	2.1.1	Finalise upgrading of Microsoft Software	Date		N/A	N/A	30-Jun-19		30-Jun-19		In the future	
IMPROVED ACCESS TO BASIC SERVICES	BASIC SERVICES DELIVERY	Basic Service Provision		To institute the provision, upgrading and maintenance of solid waste services	2.2.1	Maintain the Regional Solid Waste Site as well as the transfer station in order to ensure effective operation of the sites by conducting 4 compliance audits.	Number		N/A	N/A	100%		4	1	1 (94,60%)		
				To ensure a basic standard of living for all through the provision of basic water delivery	Eradicate water services backlog in the district through the provision of basic water services	2.4.1	Percentage of households with access to basic water services	Percentage		100%	66,95%	69,52%	69,36%	71,94%	In the future	In the future	
			2.4.2			Number of households with access to basic water	Number		116367	77904	77904	80720	83 720	In the future	In the future		
			2.4.3			Number of new water connections	Number		N/A	0	3000	2816	3000	In the future	In the future		
				To ensure a basic standard of living for all through the provision of basic sanitation delivery	Eradicate sanitation services backlog in the district through the provision of basic sanitation services	2.5.1	Percentage of households with access to basic sanitation services	Percentage		100%	88,25%	89,72%	94,55%	98,84%	95,62%	94,74%	
			2.5.2			Number of households with access to sanitation services	Number		116367	102695	104408	110026	115 026	111 276	110 247		
			2.5.3			Number of new sanitation connections	Number		N/A	N/A	1713	7331	5000	1250	221		

IDP 2018/2019																
	TARGET QUARTER 2	ACTUAL QUARTER 2	MID-YEAR TARGET	MID-YEAR ACHIEVEMENT	MID-YEAR OUTCOME	TARGET QUARTER 3	ACTUAL QUARTER 3	TARGET QUARTER 4	ACTUAL QUARTER 4	ANNUAL ACHIEVEMENT	ANNUAL RESULT	RESPONSIBLE DEPARTMENT	FINANCIAL IMPLICATION		KPA	
	4	5	7	7	Achieved	3	4	0	1	12	Exceeded	Corporate Services	Operational	1	Municipal Transformation and Institutional Development	Results Change From Met To Exceeded
		In the future			Not Applicable	N/A	N/A	30-Apr-19	17-Apr-19	17-Apr-19	Met	Corporate Services	Operational	1	Municipal Transformation and Institutional Development	
	0,30%	38.87% (22.40+16.43)	0,30%	0,38%	Over Achieved	0,60%	0,60%	1%	1%	1%	Met	Corporate Services	Operational	1	Municipal Transformation and Institutional Development	
	75	96	150	180	Over Achieved	75	80	75	165	425	Exceeded	Corporate Services	Operational	1	Municipal transformation and institutional development	
	5	5	10	12	Over Achieved	5	5	5	5	22	Exceeded	Corporate Services	Operational	1	Municipal transformation and institutional development	
		In the future			Not Applicable			30-Jun-19	Not Met	Not Met	Not Met	Office of the Municipal Manager	R 200 000	1	Municipal transformation and institutional development	
	2	2	4	3	Not Achieved	2	1	2	1	5	Not Met	Corporate Services	R530 000	1	Municipal transformation and institutional development	
		In the future			Not Applicable		N/A	30-Jun-19	31-May-19	31-May-19	Exceeded	Corporate Services	R100 000	1	Municipal transformation and institutional development	
	1	1 (92%)	2	2	Achieved	1	1 (91,67 %)	1	1 (58%)	4	Met	Technical Services	Operational	1	Basic Service Delivery	
	IN THE FUTURE	IN THE FUTURE			Not Applicable	69,36%	69,36%	71,94%	69,36%	69,36%	Not Met	Technical Services		1	Basic Service Delivery	
	IN THE FUTURE	IN THE FUTURE			Not Applicable	80720	80720	83720	80720	80720	Not Met	Technical Services		1	Basic Service Delivery	
	IN THE FUTURE	IN THE FUTURE			Not Applicable	0	0	3000	0	0	Not Met	Technical Services		1	Basic Service Delivery	
	96,69%	95,19%	96,69%	95,19%	Not Achieved	97,77%	95,65%	98,84%	96,95	96,95%	Not Met	Technical Services		1	Basic Service Delivery	
	112 526	110 764	112 526	110 764	Not Achieved	113 776	111310	115 026	112820	112820	Not Met	Technical Services		1	Basic Service Delivery	
	1250	517	2500	738	Not Achieved	1250	546	1250	1510	2794	Not Met	Technical Services		1	Basic Service Delivery	

KING CETSHWAYO DISTRICT MUNICIPALITY - OPMS SCORECARD - 2018/2019: KING CETSHWAYO DISTRICT MUNICIPALITY ...continued

SDIP INDICATOR NO.	OUTCOME 9	NATIONAL KPA	KING CETSHWAYO DEVELOPMENT GOALS	OBJECTIVES	STRATEGIES	OPMS INDICATOR NO.	PERFORMANCE INDICATOR	UNIT OF MEASURE	DEMAND	CENSUS 2011		IDP 2017/2018					
										DEMAND	BASELINE	TARGET	ACTUAL	ANNUAL TARGET	TARGET QUARTER 1	ACTUAL QUARTER 1	
	IMPLEMENTED COMMUNITY WORK PROGRAMME AND COOPERATIVES SUPPORT	LOCAL ECONOMIC DEVELOPMENT	Local Economic Development	To capacitate SMME's and local entrepreneurs	Reduce unemployment in the district through SMME empowerment	3.1.2	Date of Planning & Economic Development Symposium	Date		N/A	N/A	30-Jun-18		31-Mar-19		In The Future	
				To promote job creation	Develop sustainable living through job creation	3.2.1	Number of new LED job created	Number		N/A	N/A			60	10	0	
						3.2.2	Number of new EPWP jobs created	Number		N/A	N/A	400		600	50	245	
				To promote the district as a tourism destination	Facilitate Craft Marketing	3.3.1	Number of Crafters Marketed	Number		N/A	N/A			50	10	18	
					Participate in tourism shows	3.3.2	Number of tourism shows participated in	Number		N/A	N/A			2	In The Future	2	
					Implement Tourism Community Media Marketing through the King's Experience	3.4.1	Date for the launch of the campaign for Kings Experience	Date		N/A	N/A			30 SEP 2018	30 SEP 2018	01 NOV 2018	
				To promote agricultural development within the district	Implement agricultural support initiatives	3.5.1	Number of Forestry programmes implemented	Date		N/A	N/A	New		3		2	
						3.5.2	Number of agricultural farmers supported	Number		N/A	N/A			40	10	79	
	IMPROVED FINANCIAL AND ADMINISTRATIVE CAPACITY	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	Municipal Financial Viability and Management	To maintain a clean audit 2016/2018	Ensure 100% MFMA Compliance	4.1.1	Percentage of MFMA compliance in accordance with the MFMA Dashboard	Percentage		N/A	N/A	100%		100%	100%	100%	
					Receipt of clean audit	4.1.2	Unqualified Audit opinion	AG Opinion		N/A	N/A	Unqualified		Unqualified		IN THE FUTURE	
				To ensure financial management	Enhance financial viability	4.2.1	Cost coverage ratio	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))		N/A	N/A	3.00		3.00	3.00	28	
						4.2.2	Debt coverage ratio	(Total operating revenue received - operating grants) / Debt service payments		N/A	N/A	17.00		17.00		Applicable in quarter 2	

IDP 2018/2019																
	TARGET QUARTER 2	ACTUAL QUARTER 2	MID-YEAR TARGET	MID-YEAR ACHIEVEMENT	MID-YEAR OUTCOME	TARGET QUARTER 3	ACTUAL QUARTER 3	TARGET QUARTER 4	ACTUAL QUARTER 4	ANNUAL ACHIEVEMENT	ANNUAL RESULT	RESPONSIBLE DEPARTMENT	FINANCIAL IMPLICATION		KPA	
		(2) 7-8 November 2018 and 22 November 2018			Not Applicable	31-Mar-19	achieved in Q2		achieved in Q2	Met	Exceeded	Planning and Economic Development	R250 000	1	LED	Results change from Met to Exceeded
	10	20	20	20	Achieved	20	13	20	13	46	Not Met	Planning and Economic Development	R782 500	1	LED	
	100	121	150	366	Over Achieved	150		300	193	801	Exceeded	Technical Services	R5 032 000	1	LED	
	20	32	30	50	Over Achieved	20	32		n/a	82	Exceeded	Planning and Economic Development Services	R500 000	1	LED	
	In The Future				Not Applicable		1	2	1	4	Exceeded	Planning and Economic Development Services		1	LED	
		N/A	18/09/30	18/11/01	Achieved		n/a		n/a	2018/01/11	Met	Planning and Economic Development Services	R700 000	1	LED	
	1	1	1	3	Over Achieved	1		1	1	4	Exceeded	Planning and Economic Development Services	R1 200 000	1	LED	
	10	14	20	93	Over Achieved	10	20	10	26	139	Exceeded	Planning and Economic Development Services	R600 000	1	LED	
	100%	100%	100%	100%	Achieved	100%	100%	100%	100%	100%	Met	Financial Services	Operational	1	Municipal Financial Viability and Management	
	Unqualified	Unqualified	Unqualified	Unqualified	Not Achieved		n/a		n/a	Qualified	Not Met	Office of the Municipal Manager	Operational	1	Municipal Financial Viability and Management	Result changed from met to not met
	3.00	14.43	3,00	14,43	Over Achieved	3.00	3.00	3.00	6,18	6,18	Exceeded	Financial Services	Operational	1	Municipal Financial Viability and Management	Result changed from met to exceeded
					Over Achieved		n/a	17.00	29,43	29,43	Exceeded	Financial Services	Operational	1	Municipal Financial Viability and Management	

KING CETSHWAYO DISTRICT MUNICIPALITY - OPMS SCORECARD - 2018/2019: KING CETSHWAYO DISTRICT MUNICIPALITY ...continued

SDIP INDICATOR NO.	OUTCOME 9	NATIONAL KPA	KING CETSHWAYO DEVELOPMENT GOALS	OBJECTIVES	STRATEGIES	OPMS INDICATOR NO.	PERFORMANCE INDICATOR	UNIT OF MEASURE	DEMAND	CENSUS 2011		IDP 2017/2018					
										DEMAND	BASELINE	TARGET	ACTUAL	ANNUAL TARGET	TARGET QUARTER 1	ACTUAL QUARTER 1	
	IMPROVED FINANCIAL AND ADMINISTRATIVE CAPACITY	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT			4.2.3	Outstanding service debtors to revenue ratio	Outstanding service debtors / revenue actually received for services		N/A	N/A	0,8		0.80		0.69	
					Asset Management	4.3	Number of GRAP Asset Management Reports	Number		N/A	N/A	4		4	1	3	
				To improve debt collection	Implement revenue enhancement strategies	4.4	Percentage debt collected	Percentage		N/A	N/A	%		88%	88%	97%	
				To improve expenditure control	Payment of outstanding creditors	4.5	Percentage of invoices paid within 30 days from receipt of invoices, statements, and credible, accurate and reliable payment documentation submitted timeously from user departments	Percentage		N/A	N/A	%		90%	90%	91%	
					Ensure effective Supply Chain Management	4.6	Date of review of SCM policy	Date		N/A	N/A	2016/06/30		31-May-19		IN THE FUTURE	
					Improve grants and subsidies expenditure	4.7	Percentage of grants and subsidies spent	Percentage		N/A	N/A	100%		100%	25%	45%	
					Ensure capital expenditure on capital projects	4.8	Percentage of capital budget actually spent on capital projects	Percentage		N/A	N/A	100%		100%	100%	100%	
	GOOD GOVERNANCE AND PUBLIC PARTICIPATION	GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Good Governance and Public Participation	To promote community participation and communication	Partipate and coordinate district forums	5.1.1	Number of Technical District Committees (Municipal Manager Inter Governmental Relations Committee)	Number		N/A	N/A	Target		4	1	0	
						5.1.2	Number of District's Mayor's Forums (Mayoral Inter Governmental Relations Committee)	Number		N/A	N/A	4		4	1	0	
					Achieve sustainable development through communication and community participation	5.2.1	Number of IDP Roadshows	Number		N/A	N/A	16		14		N/A	
						5.2.2	Improve community perception by conducting a community satisfaction survey	Date				New		30-Jun-19		IN THE FUTURE	

IDP 2018/2019																
	TARGET QUARTER 2	ACTUAL QUARTER 2	MID-YEAR TARGET	MID-YEAR ACHIEVEMENT	MID-YEAR OUTCOME	TARGET QUARTER 3	ACTUAL QUARTER 3	TARGET QUARTER 4	ACTUAL QUARTER 4	ANNUAL ACHIEVEMENT	ANNUAL RESULT	RESPONSIBLE DEPARTMENT	FINANCIAL IMPLICATION		KPA	
		0.72			Not Applicable		72%	0.80	0.72	0.72	Met	Financial Services	Operational	1	Municipal Financial Viability and Management	Results changed from Not Met to Met
	1	3	1	6	Achieved	1	3	1	3	12	Exceeded	Financial Services		1	Municipal Financial Viability and Management	Result changed from met to exceeded
	88%	103%	88%	103%	Over Achieved	88%	106%	88%	95%	95% (avg)	Exceeded	Financial Services	Operational	1	Municipal Financial Viability and Management	
	90%	94.2%	90%	94%	Over Achieved	90%	91%	90%	92%	91% (Avg)	Met	Office of the Municipal Manager	Operational	1	Municipal Financial Viability and Management	
		IN THE FUTURE			Not Applicable	n/a	n/a	31-May-19	24-May-19	24-May-19	Met	Financial Services	Operational	1	Municipal Financial Viability and Management	
	40%	65%	40%	65%	Over Achieved	75%	41%	100%	77%	77%	Not Met	Office of the Municipal Manager	Operational	1	Municipal Financial Viability and Management	
	100%	100%	100%	100%	Achieved	100%	100%	100%	100%	100%	Met	Office of the Municipal Manager	R455 141 500	1	Municipal Financial Viability and Management	
	1	0	2	0	Not Achieved	1	0	1	0	0	Not Met	Office of the Municipal Manager/ COO	Operational	1	Good Governance and Public Participation	
	1	0	2	0	Not Achieved	1	0	1	1	1	Not Met	Office of the Municipal Manager/ COO	Operational	1	Good Governance and Public Participation	
	7	7	7	7	Achieved		7	7	n/a	14	Met	Office of the Municipal Manager/ COO	R1 000 000	1	Good Governance and Public Participation	
		IN THE FUTURE			Not Applicable		n/a	30-Jun-19	Not Met	Not Met	Not Met	Office of the Municipal Manager/ COO		1	Good Governance and Public Participation	

KING CETSHWAYO DISTRICT MUNICIPALITY - OPMS SCORECARD - 2018/2019: KING CETSHWAYO DISTRICT MUNICIPALITY ...continued																		
SDIP INDICATOR NO.	OUTCOME 9	NATIONAL KPA	KING CETSHWAYO DEVELOPMENT GOALS	OBJECTIVES	STRATEGIES	OPMS INDICATOR NO.	PERFORMANCE INDICATOR	UNIT OF MEASURE	DEMAND	CENSUS 2011		IDP 2017/2018						
										DEMAND	BASELINE	TARGET	ACTUAL	ANNUAL TARGET	TARGET QUARTER 1	ACTUAL QUARTER 1		
	GOOD GOVERNANCE AND PUBLIC PARTICIPATION	GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Good Governance and Public Participation	To enhance and evaluate municipal performance	Implement compliant Performance Management System	5.3.1	Date of approval of OPMS Scorecard	Date		N/A	N/A	13-Jul-18		30-Jun-19		IN THE FUTURE		
						5.3.2	Number of Section 54/56 performance agreements signed	Number		N/A	N/A	6		6	6	6		
					Cascade performance management down through policy, framework and scorecards for senior management	5.4.1	Date of review of PMS Policy	Date		N/A	N/A			30-Jun-19		IN THE FUTURE		
						5.4.2	Date of review of PMS Framework	Date		N/A	N/A			30-Jun-19		IN THE FUTURE		
					Implement Back 2 Basics Programme	5.5.1	Number of B2B reports submitted to KZN CoGTA	Number		N/A	N/A	4		4	1	1		
						5.5.2	Number of B2B reports submitted to DCOG	Number		N/A	N/A	12		12	3	3		
				To enhance institutional development	Conduct risk assessment	5.6	Date of completion of Annual Risk Assessment	Date		N/A	N/A	New		30-Sep-18	30-Sep-18	11-Oct-18		
						Conduct fraud risk assessment	5.7.1	Date of completion of Annual Fraud Risk Assessment	Date		N/A	N/A	31-Aug-18		30-Sep-18	30-Sep-18	11-Oct-18	
				5.7.2	Number of fraud risk awareness campaigns		Number		N/A	N/A	1		1		IN THE FUTURE			
					Implement business continuity management strategy	5.8	Finalise implementation of BCP by ensuring operational DRP site	Date		N/A	N/A	30-Jun-19		30-Jun-19		IN THE FUTURE		
					To increase integrated development in order to achieve sustainable development	Review development objectives in the IDP through community participation	5.9	Date of approval of IDP Review	Date		N/A	N/A			30-Jun-19	30-Jun-19	IN THE FUTURE	

IDP 2018/2019															
	TARGET QUARTER 2	ACTUAL QUARTER 2	MID-YEAR TARGET	MID-YEAR ACHIEVEMENT	MID-YEAR OUTCOME	TARGET QUARTER 3	ACTUAL QUARTER 3	TARGET QUARTER 4	ACTUAL QUARTER 4	ANNUAL ACHIEVEMENT	ANNUAL RESULT	RESPONSIBLE DEPARTMENT	FINANCIAL IMPLICATION		KPA
		IN THE FUTURE			Not Applicable		n/a	30-Jun-19	27-Jun-19	27-Jun-19	Met	Office of the Municipal Manager/ COO	Operational	1	Good Governance and Public Participation
		N/A	6	6	Achieved		n/a	n/a	n/a	6	Met	Office of the Municipal Manager/ COO	Operational	1	Good Governance and Public Participation
		IN THE FUTURE			Not Applicable		n/a	30-Jun-19	27-Jun-19	27-Jun-19	Met	Office of the Municipal Manager/ COO		1	Good Governance and Public Participation
		IN THE FUTURE			Not Applicable		n/a	30-Jun-19	27-Jun-19	27-Jun-19	Met	Office of the Municipal Manager/ COO		1	Good Governance and Public Participation
1	1	2	2	Achieved		1	1	1	1	4	Met	Office of the Municipal Manager/ COO	Operational	1	Good Governance and Public Participation
3	3	6	6	Achieved		3	3	3	3	12	Met	Office of the Municipal Manager/ COO	Operational	1	Good Governance and Public Participation
		N/A	30-Sep-18	11-Oct-18	Achieved		n/a		n/a	11-Oct-18	Met	Office of the Municipal Manager/ COO	R150 000	1	Good Governance and Public Participation
		N/A	30-Sep-18	11-Oct-18	Achieved		n/a		n/a	11-Oct-18	Met	Office of the Municipal Manager/ COO	R220 000	1	Good Governance and Public Participation
		IN THE FUTURE			Not Applicable		n/a	1	3	3	Exceeded	Office of the Municipal Manager/ COO	R150 000	1	Good Governance and Public Participation
		IN THE FUTURE			Not Applicable		n/a	30-Jun-19	KCDM/ Quote/73/2019 for the provision of data replication solution (Cibesc) to the DRP site was cancelled because of cost above the available budget.	Not Met	Not Met	Corporate Services	R795 458	1	Good Governance and Public Participation
		IN THE FUTURE			Not Applicable		n/a	30-Jun-19	"3/28/2019	28-Mar-19	Met	Planning and Economic Development Services		1	Good Governance and Public Participation

KING CETHSWAYO DISTRICT MUNICIPALITY - OPMS SCORECARD - 2018/2019: KING CETHSWAYO DISTRICT MUNICIPALITY ...continued

SDIP INDICATOR NO.	OUTCOME 9	NATIONAL KPA	KING CETHSWAYO DEVELOPMENT GOALS	OBJECTIVES	STRATEGIES	OPMS INDICATOR NO.	PERFORMANCE INDICATOR	UNIT OF MEASURE	DEMAND	CENSUS 2011		IDP 2017/2018					
										DEMAND	BASELINE	TARGET	ACTUAL	ANNUAL TARGET	TARGET QUARTER 1	ACTUAL QUARTER 1	
			Human Resource Development	To provide effective human resource development to the community	Alleviate illiteracy through the District Education Programme	6.1.1	Date of Matric Achievers Awards	Date		N/A	N/A	31-Jan-18		31-Jan-19		IN THE FUTURE	
					Improve unemployment through the District Skills Development Programme	6.1.2	Number of youths assisted with registration grants	Number		N/A	N/A	24		30		IN THE FUTURE	
			Community Development and Social Services	To improve environmental health within the district	Implement environmental health programmes	6.2	Number of health awareness campaigns	Number		N/A	N/A	16		40	10	48	
				To promote healthy lifestyles for the community	Implement programmes and events aimed at physical activity such as sports	6.3.1	Date of participation in SALGA Games	Date		N/A	N/A	31-Dec-17		31-Dec-18		IN THE FUTURE	
						6.3.2	Date of District Golden Games	Date		N/A	N/A	2017/08/31		30-Sep-18	30-Sep-18	30-Jul-18	
						6.3.3	Number sports development initiatives assisted	Number		N/A	N/A	New		4	1	3	
						6.3.4	Date of the Mayoral Cup	Date	N/A	N/A		New		30-Sep-18	30-Sep-18	28-Jul-18	
				To minimize the effect of natural and other disasters on the community	Provide disaster management services to aid local municipalities within the District	6.4.1	Number of temporary shelters procured	Number		N/A	N/A	New		10		IN THE FUTURE	
						6.4.2	Number of disaster management Awareness Campaigns	Number		N/A	N/A	16		12	3	5	
				To minimise instances of crime within the district	Implement crime prevention programmes	6.5	Number of crime prevention awareness campaigns	Number		N/A	N/A	2		4	1	2	
				To develop Arts and Culture within the District	Promote Arts and Culture within the District	6.6	Number of Arts and Culture programmes implemented within the District	Number		N/A	N/A	4		6	1	8	

IDP 2018/2019																
	TARGET QUARTER 2	ACTUAL QUARTER 2	MID-YEAR TARGET	MID-YEAR ACHIEVEMENT	MID-YEAR OUTCOME	TARGET QUARTER 3	ACTUAL QUARTER 3	TARGET QUARTER 4	ACTUAL QUARTER 4	ANNUAL ACHIEVEMENT	ANNUAL RESULT	RESPONSIBLE DEPARTMENT	FINANCIAL IMPLICATION		KPA	
		11-Jan-19			Not Applicable	31-Jan-19	22.01.2019		n/a	22.01.2019	Met	Community Services	R200 000	1	CROSS CUTTING	
					Not Applicable	30	30		n/a	30	Met	Community Services	R150 000	1	CROSS CUTTING	
	10	34, 29	20	82	Over Achieved	10	54	10	48	136	Exceeded	Community Services	Operational	1	CROSS CUTTING	
	31-Dec-18	6-10 December 2018	31-Dec-18	6-10 December 2018	Achieved		n/a		n/a	6-10 December 2018	Met	Community Services		1	CROSS CUTTING	
		N/A	30-Sep-18	30-Jul-18	Achieved		n/a		n/a	30-Jul-18	Exceeded	Community Services	R4 500 000	1	CROSS CUTTING	
	1	4	2	7	Over Achieved	1	2	1	3	12	Exceeded	Community Services		1	CROSS CUTTING	
	n/a	N/A	30-Sep-18	28-Jul-18	Over Achieved	n/a	n/a	n/a	n/a	28-Jul-18	Exceeded	Office of the Municipal Manager	R1 500 000	1	CROSS CUTTING	
	10	0	10	0	Not Achieved	n/a	BAC is handling the issue by holding negotiations with the SP to reduce the price for temporal shelter	n/a	Supplier appointed	Not Met	Not Met	Community Services	R700 000	1	CROSS CUTTING	
	3	5	6	10	Over Achieved	3	5	3	3	18	Exceeded	Community Services	R2 500 000	1	CROSS CUTTING	
	1	4	2	6	Over Achieved	1	2	1	2	10	Exceeded	Community Services	R350 000	1	CROSS CUTTING	
	2	5	3	13	Over Achieved	1	6	2	7	26	Exceeded	Community Services	R650 000	1	CROSS CUTTING	

KING CETSHWAYO DISTRICT MUNICIPALITY - OPMS SCORECARD - 2018/2019: KING CETSHWAYO DISTRICT MUNICIPALITY ...continued

SDIP INDICATOR NO.	OUTCOME 9	NATIONAL KPA	KING CETSHWAYO DEVELOPMENT GOALS	OBJECTIVES	STRATEGIES	OPMS INDICATOR NO.	PERFORMANCE INDICATOR	UNIT OF MEASURE	DEMAND	CENSUS 2011		IDP 2017/2018					
										DEMAND	BASELINE	TARGET	ACTUAL	ANNUAL TARGET	TARGET QUARTER 1	ACTUAL QUARTER 1	
IMPLEMENTED COMMUNITY WORK PROGRAMME AND COOPERATIVES SUPPORT				To improve the quality of life for marginalised groups through the implementation of Operation Sukume Sakhe	Facilitate special programmes focusing on groups that were previously disadvantaged	6.7.1	Number of youth programmes implemented	Number		N/A	N/A	2		4	1	0	
						6.7.2	Number of Women's Forums meetings held	Number		N/A	N/A	4		4	1	1	
						6.7.3	Number of District Senior Citizens Forum meetings held	Number		N/A	N/A	4		4	1	1	
						6.7.4	Date of Men's programme	Date		N/A	N/A	30-Jun-18		30-Jun-19		19-Jul-18	
						6.7.5	Number of District Disability Forum meetings held	Number		N/A	N/A	4		4	1	2	
				Render assistance where needs in community have been established		6.7.6	Percentage of identified needs assisted within budget	Percentage	N/A	N/A	100%		100%	100%	0%	IN THE FUTURE	
CROSS CUTTING	Environmental and Resource Management			To reduce incidence of HIV/AIDS infections	Implement awareness programmes	6.8	Number of HIV/AIDS Awareness campaigns	Number	N/A	N/A	3		6	4	IN THE FUTURE		
				To efficiently manage scarce resources within the district	Protect precious resources within its municipal area through the Coastal Management Plan and Integrated Environmental Plan	6.9	Number of coastal management programme supported	Number		N/A	N/A	1		1	n/a	n/a	

IDP 2018/2019																
	TARGET QUARTER 2	ACTUAL QUARTER 2	MID-YEAR TARGET	MID-YEAR ACHIEVEMENT	MID-YEAR OUTCOME	TARGET QUARTER 3	ACTUAL QUARTER 3	TARGET QUARTER 4	ACTUAL QUARTER 4	ANNUAL ACHIEVEMENT	ANNUAL RESULT	RESPONSIBLE DEPARTMENT	FINANCIAL IMPLICATION		KPA	
	1	1	2	1	Not Achieved	1	1	1	1	3	Not Met	MM/COO	R800 000	1	CROSS CUTTING	Results changed from Not Met to Met
	1	1	2	2	Achieved	1	1	1	1	4	Met	Community Services		1	CROSS CUTTING	
	1	1	2	2	Achieved	1	1	1	1	4	Met	Community Services		1	CROSS CUTTING	
					Not Applicable		n/a	30-Jun- 19	10-May- 19	Met	Met	Community Services		1	CROSS CUTTING	
	1	1	2	3	Over Achieved	1	1	1	1	5	Exceeded	Community Services		1	CROSS CUTTING	
	100%	100%	100%	100%	Achieved	100%	100%	100%	100	100%	Met	Office of the Municipal / MM	R1 300 000	1	CROSS CUTTING	
	2	2	2	2	Achieved	1	1	1	2	5	Exceeded	Office of the Municipal / MM	R800 000	1	CROSS CUTTING	
	n/a	1			Not Applicable	n/a	n/a	1	Achieved in Q2	1	Met	Planning and Economic Development	R150 000	1	CROSS CUTTING	



04 CHAPTER CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, human resource services, ICT services, property services.

4.1. HUMAN RESOURCE SERVICES AND POLICIES

Human Resources' main areas of focus for the year were Training and Development, Employee Wellbeing, Health and Safety of employees, as well as pro-active and engaged Labour Relations. towards these ends, Employment Equity, the Workplace Skills Plan, Employee Assistance Program, Occupational Health & Safety, Local Labour Forums.

HUMAN RESOURCES MANAGEMENT POLICIES AT KING CETSHWAYO DISTRICT MUNICIPALITY

NAME OF POLICY	COMPLETED	REVIEWED	DATE ADOPTED BY COUNCIL OR COMMENT ON FAILURE TO ADOPT
Acting Allowance Policy	N/A	N/A	As per the existing KZN Conditions Collective Agreement
Bursary Policy for Officials and Defendants of Officials	Yes	Yes	12/03/2008 – to be reviewed in 2019/2020 FY
Code of Conduct for employees	Yes	N/A	As per Schedule 2 of Local Government Systems Act
Disciplinary Code and Procedures	Yes	N/A	As per Collective Agreement and Disciplinary Procedures
Essential Services	Yes	N/A	Certificate of Essential Service approved by CCMA on 10 May 2016
Emergency Evacuation Policy & Procedure	Yes	Yes	26/05/2017
Employee Assistance / Wellness	Yes	Yes	27/09/2013
Employment Equity	Yes	Yes	13/07/2016
Exit Interview Policy	Yes	No	12/03/2008 – to be reviewed in 2019/2020 FY
Grievance Procedures	Yes	N/A	As per Main Collective Agreement and grievance procedure
HIV/Aids	Yes	Yes	13/07/2016
Leave	Yes	Yes	28/06/2014
Long service leave Policy	Yes	Yes	17/09/2013
Occupational Health and Safety	Yes	Yes	13/07/2016
Official Housing	Yes	Yes	21/08/2013
Official Working Hours and Overtime	Yes	Yes	05/12/2014
Organisational Rights	Yes	N/A	As per Main Collective Agreement
Recruitment, Selection and Appointments	Yes	Yes	13/07/2016
Relocation Assistance to Officials	Yes	Yes	11/11/2009
Rental Allowance Scheme	Yes	Yes	17/03/2011
Sexual Harassment	Yes	No	12/03/2008 – to be reviewed in 2019/2020 FY
Succession and Retention	Yes	No	12/03/2008 – to be reviewed in 2019/2020 FY
Smoking Policy	Yes	No	12/03/2008 – to be reviewed in 2019/2020 FY
Scarce Skills Allowance Policy	Yes	Yes	05/12/2014
Substance Abuse Policy	Yes	Yes	09/03/2011
Subsistence & Travel Allowance Policy	Yes	Yes	06/12/2012
Training and Development Policy	Yes	Yes	13/07/2016
Termination Policy	Yes	No	24/06/2015 – to be reviewed in 2019/2020 FY
Travel Allowance Policy for Management Officials	Yes	Yes	12/03/2008 – to be reviewed in 2019/2020 FY
Travel Allowance Scheme for Non-Management Officials	Yes	Yes	28/08/2014

INTRODUCTION TO THE MUNICIPAL PERSONNEL

EMPLOYEE TOTALS: APPOINTMENTS BY GENDER AND OCCUPATIONAL LEVELS

APPOINTMENTS MADE IN THE 2018/2019 FINANCIAL YEAR (01 JULY 2018 TO 30 JUNE 2019)

TOTAL NUMBER OF APPOINTMENTS	82
Internal	43
External	39
Appointments by Gender	
Females	39
Males	43
Appointments by Occupational Level	
Top Management	2
Senior Management	3
Professional / Mid-Management	6
Skilled	19
Semi-Skilled	28
Unskilled	24

4.2. MANAGING THE MUNICIPAL WORKFORCE

INJURIES AND WELLNESS OF EMPLOYEES

OCCUPATIONAL HEALTH AND SAFETY

The Occupational Health and Safety Act 85 of 1993 states that every employer and employee has a duty to comply with the requirements of the Act. The municipality must ensure that responsibilities for health and safety are assigned, accepted and fulfilled at all levels within the municipality. A work environment where hazards and associated risks are eliminated and/ or mitigated through our Occupational Health and Safety solutions. The municipality has a functional OHS Committee.

OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

DEPARTMENT	TARGET	NUMBER OF MEETINGS HELD
All the Health & Safety Reps from all the Departments attended the meetings	4	4

OCCUPATIONAL HEALTH AND SAFETY COMPLIANCE TRAININGS

The municipality ensures that it supports and trains all employees to achieve a safe and healthy working environment for all.

OCCUPATIONAL HEALTH & SAFETY WORKSHOPS/TRAININGS CONDUCTED DURING 2018/2019 FINANCIAL YEAR	NUMBER OF ATTENDEES
Health and Safety Induction	15
First Aid Level 2	11
Health and Safety Rep	0
Fire Fighting	3
Total	29

INJURIES ON DUTY (IOD)

King Cetshwayo District Municipality has shown a marked improvement regarding compliance with administration of occupational health and safety. Employees are also better informed of their responsibility to report sustained injuries. King Cetshwayo District Municipality has shown a marked improvement regarding the management over injury on duty cases. The number of IODs reported for this financial year is eighteen (18) incidents. Eighteen (18) incidents/injuries were recorded with Department of Labour in line with the Occupational Health and Safety Act. The Municipality noted that there was an increase of incidents in this financial year.

NUMBER AND COST OF INJURIES ON DUTY					
TYPE OF INJURY	INJURY LEAVE TAKEN	EMPLOYEES USING INJURY LEAVE	PROPORTION EMPLOYEES USING SICK LEAVE	AVERAGE INJURY LEAVE PER EMPLOYEE	TOTAL ESTIMATED COST
	DAYS	NO.	NO.	DAYS	R'000
Required basic medical attention only	56.50	2	2	28.25	R43 600.00
Temporary total disablement	0				
Permanent disablement	0				
Fatal	0				
Total	56.50	2	2	28.25	R43 600.00

EMPLOYEE ASSISTANCE PROGRAMME (EAP)

King Cetshwayo District Municipality cares about the health and social well-being of its employees and recognizes that there are a number of personal problems which impact negatively to the employees personal and work lives. Personal problems can have to a detrimental effect on performance, productivity and behaviour in the workplace.

The Municipality is using the services of a service provider to address the EAP issues. The marketing of EAP was conducted with head office staff and satellite offices and its utilization rate has increased between 14.2% to 25.8%. The said increase was due to dissemination of monthly newsletters to all KCDM employees and distribution of posters and pamphlets.

EMPLOYEE ASSISTANCE PROGRAMME (EAP)

DEPARTMENT	TARGET	NUMBER OF WELLNESS PROGRAMMES
Conduct EAP wellness programme	4	5

TOPICS COVERED IN EAP WELLNESS PROGRAMME DURING 2018/2019 FY

QUARTERS	TOPICS
Quarter 1	<ul style="list-style-type: none"> Stress management assessment - Landfill
Quarter 2	<ul style="list-style-type: none"> Cancer Awareness HIV/AIDS Awareness
Quarter 3	<ul style="list-style-type: none"> Stress management assessment- Eshowe
Quarter 4	<ul style="list-style-type: none"> Sexual harassment in the workplace

4.3. ANNUAL REPORT FOR LABOUR RELATIONS

Labour Relations Core functions is to maintain and control the application of specific procedures associated with sound industrial relations climate by attending to and guiding disciplinary and grievance processes, reporting to specific Committees on the status of the function, capacitating Management Representatives on the application and interpretation of policies and agreements, in the long run thus ensuring proper function of Council.

Labour Relations co-ordinates frequent meetings with Organized Labour to keep abreast with internal labour related developments within the sector and in particular the Municipality.

LABOUR RELATIONS & HR BENEFIT INTERVENTIONS CONDUCTED IN 2018/2019 FY

QUARTERS	TOPICS
Quarter 1	<ul style="list-style-type: none"> Disciplinary procedure and collective agreement workshop Salary and wage agreement workshop
Quarter 2	<ul style="list-style-type: none"> Disciplinary code procedure Skills audit questioner Amended KZN divisional conditions of services Bursary Applications
Quarter 3	<ul style="list-style-type: none"> Main collective agreement Conditions of service IR interventions
Quarter 4	<ul style="list-style-type: none"> Disciplinary collective agreement workshop Workplace procedures

4.4. CAPACITATING THE MUNICIPAL WORKFORCE

SKILLS DEVELOPMENT AND TRAINING

The Municipality strived to improve the skills of employees through facilitating the provision of quality NQF aligned training in order for the employees to acquire skilled programs, as well as preparing them to management level. It also addresses the compulsory competency level which is a requirement of the Municipal Finance Management Act. The Municipality offers bursaries to employees as part of its retention strategy, and to assist them to broaden their skills and careers.

NAME OF THE ACCREDITED PROGRAM	NQF LEVEL	OCCUPATIONAL LEVEL	ADDRESS THE EE	NUMBER OF ATTENDEES
STRUCTURED TRAININGS				
Municipal Finance Management	8	Senior Management	1x Female	17
		Skilled	3x Females	
		Semi-Skilled	4x Females	
Management Development Program	7	Mid Management	4x males	4
		Senior Management	1x Male	1
OD ETDP	5	Skilled	1x Female	1
Project Management	5	Skilled	5x Females	12
Monitoring, Evaluation and Research Skills	7	Mid Management	1x Female	1
Emerging Managers Program	6	Skilled	4x Females	5
AET Level 2	1	Unskilled	5x Females	11
Water and Wastewater Treatment Process	2	Semi-Skilled	3x Females	7

BURSARIES ALIGNED TO THE LOCAL GOVERNMENT			
	Total	Male	Female
Officials	44	14	30
Dependants	12	4	8

TRAINING INTERVENTIONS FOR THE 2018/2019 FINANCIAL YEAR

TYPE OF TRAINING INTERVENTION	TOTAL NUMBER OF OFFICIALS TRAINED
NQF Aligned	150
CPD	208
Compliance	67
TYPE OF TRAINING INTERVENTION	TOTAL NUMBER OF COUNCILORS TRAINED
NQF Aligned	20
CPD	3

EMPLOYMENT EQUITY REPORT

KCDM recruits for vacancies against an approved employment equity plan. The employment equity plan is approved internally and has to be considered by the Department of Labour. There are Employment Equity quarterly meetings that monitor the implementation of Employment Equity Plan. KCDM is committed to ensuring that the overall purpose of the EE Act is achieved in the workplace by:

- Promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination
- Implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups (black people, women and people with disabilities), in order to ensure their equitable representation in all occupational categories and levels in the workforce.

KCDM will demonstrate its commitment by taking active steps to promote employment equity in the workplace by:

- Implementing transformation interventions, which are aligned with and driving KCDM's business strategy.
- Facilitating an equitable representation of the workforce by attracting, developing and retaining employees from the designated groups.
- Implementing effective diversity management initiatives to establish and maintain an all-inclusive culture conducive to transformation.
- Making reasonable accommodation for employees from the designated groups and to provide a safe and enabling work environment for all employees.
- Implementing effective diversity management initiatives to establish and maintain an all-inclusive culture conducive to transformation.
- Making reasonable accommodation for employees from the designated groups and to provide a safe and enabling work environment for all employees.

THE FOLLOWING ARE THE EMPLOYMENT EQUITY COMMITTEE MEMBERS:

EMPLOYMENT EQUITY REPRESENTATIVE	CONSTITUENCIES REPRESENTED
Mr N. Biyase	Top Management Occupational Level
Ms M. Mathebula	Senior Management Occupational Level
Mr S Gazu	Professional/ Middle Management Occupational Level
Ms M Msweli	Skilled Occupational Level
Mr S Mthlane	Semi - Skilled Occupational Level
Mr D. Mpungose	Unskilled Occupational Level
Mr B Hlophe	African Males and Females
Mr A Jacobsen	Coloured Males and Females
Mrs N Singh	Indian Males and Females
Vacant	All Females
Vacant	White Males
Mr S. Ngwenya	Non Unionised
Mr B. Nombeleka	SAMWU
Mr M. Mthembu	SAMWU
Ms C Cook	IMATU
Mr M. Mthethwa	People with Disability

The EE committee submitted its reports to Department of Labour on EEA2 and EEA4 on 29 November 2018. The table below provides the numeric targets, including people with disabilities as at 30 June 2019. The EE Target for the 2018/2019 financial year is 60% per quarter, and the achievement for the year is as follows:

1ST QUARTER 1 JULY TO 30 SEPT. 2018	2ND QUARTER 1 OCT. TO 31 DEC 2018	3RD QUARTER 1 JAN TO 31 MARCH 2019	4TH QUARTER 1 APRIL TO 30 JUNE 2019
100%	47%	57.14%	46.15%
Overall percentage average achieved for the 2018/2019 Financial Year			73.5%
EMPLOYMENT EQUITY MEETINGS HELD DURING 2018/2019 FINANCIAL YEAR			
1 July to 30 Sept. 2018	1 Oct. to 31 Dec 2018	1 Jan to 31 March 2019	1 April to 30 June 2019
11 July 2018	04 October 2018	18 April 2019	05 July 2019

SUMMARY OF APPOINTMENTS: 01 JULY 2018 TO 30 JUNE 2019

APPOINTMENTS (CATEGORIES)	APPOINTMENTS			YOUTH		EE TARGET		NOT EE TARGET		DESIGNATED		NON-DESIGNATED
	Total	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Internal	43	23	20	16	13	17	7	7	13	23	20	-
External	39	20	19	13	14	13	6	6	13	20	19	-
TOTAL	82	43	39	29	27	30	13	13	26	43	39	-
			82		56		43		39		82	-
									82			
							52.44% Achieved		47.56%			





05 CHAPTER FINANCIAL PERFORMANCE

COMPONENT A : BUDGET: 2018/2019

	2018/2019 FINAL BUDGET	POLICY DELEGATED VIREMENTS	CURRENT VIREMENTS	ADDITIONAL REVENUE ADJUSTMENT	ADJUSTED BUDGET
Revenue by Source	A	B	D	C	
- Grants & Subsidies	377 430 552	-	-	15 300 000	392 730 552
- Equitable Share	227 727 000	-	-	-	227 727 000
- Levy Replacement Grant	249 115 000	-	-	-	249 115 000
Total Government Grant & Subsidies	854 272 552	-	-	15 300 000	869 572 552
- Sundry Income	4 453 321	-	-	-	4 453 321
- Interest Income	41 610 231	-	-	-	41 610 231
Total Other Income	46 063 552	-	-	-	46 063 552
Trading Services	83 583 494	-	-	-	83 583 494
Acc DPN Reserve - Capex Funding	20 971 656	-	-	-	20 971 656
Accumulated Reserve	44 955 774	-	-	-	44 955 774
Surplus Brought Forward (2017/2018) - VAT on Grants	64 788 855	-	-	-	64 788 855
Total Reserve	1 114 635 883	-	-	15 300 000	1 129 935 883
Expenditure					
Non-Trading Services	238 872 578	1 648	-	-	238 874 226
Trading Services	467 803 823	-118 750	-	-	467 685 073
Operational IDP	169 410 933	117 102	-	-	169 410 933
Capital IDP & Internal Fixed Assets	321 805 789	-	-	15 300 000	337 105 789
Total Expenditure	1 197 893 123	-	-	15 300 000	1 213 193 123
Less: Depreciation not Cash Back	83 257 240	-	-	-	83 257 240
TOTAL EXPENDITURE EXCL. DEPN	1 114 635 883	-	-	15 300 000	1 129 935 883

5.1. REVENUE

The major revenue streams of the municipality are service charges and government grants.

The following are the main streams of revenue of the municipality:

- Water Revenue
- Sanitation Revenue
- Solid Waste Revenue
- Cemetery Revenue

REVENUE COLLECTION

Revenue collection is based on the integrity of the two predominate components i.e. metered serviced delivery and billing. The municipality has constantly applied its Credit Control & Debt Collection Policy and have further intensified its debt collection strategies such as early reminder of payments of accounts using sms 's, continuously engaging government departments and indigent registration. In addition establishments and households

were randomly visited to verify and ensure that they are properly metered and paying for the services they are receiving.

The initiative of smart meters installation which commenced in 2013/2014 in some part of the municipal areas have proved to be a success in reduction of debt and simultaneously supporting water conservation. To date the following progress has been made in these areas:

- Mthonjaneni (Ward1) – Thubalethu - 1082 meters installed.
- uMlalazi (Ward 18) - Gingindlovu Low Cost housing - 143 meters installed.
- eShowe (Rural) - 942 meters installed not yet commissioned.
- Mfolozi (Ward 2) - Slovas – 507 meters installed.
- Sunnysdale – 852
- King DinuZulu – 1036 meters installed
- Nzalabantu – Water upgrade project has commenced was finalized in 2019 and prepaid water meters is being considered subject to budget availability

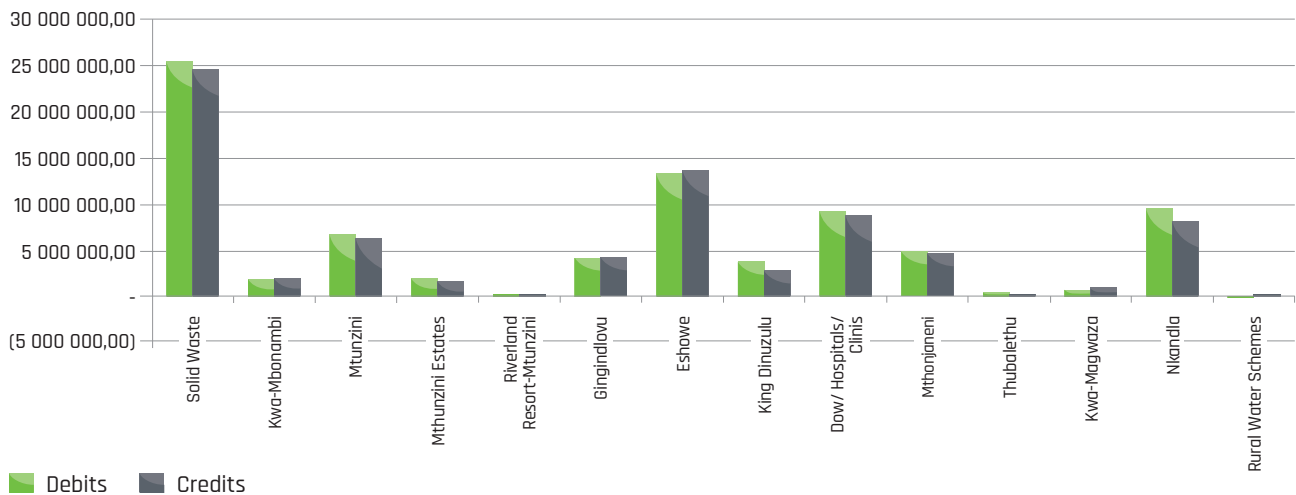
The table below depicts the prepaid sales during the 2018/2019 financial year.

TOWN		Q1	Q2	Q3	Q4	YTD
MELMOTH/ THUBALETHU	KL	1 499	1 137	1 153	880	3 789
	Value	17 777.00	12 877.78	13 018.00	10 425.74	43 672.78
	Transactions	400	328	286	222	1 014
ESHOWE	KL	7 666	6 594	9 609	8 734	23 869
	Value	90 641.20	70 249.47	97 617.40	103 189.00	258 508.07
	Transactions	910	779	985	1 208	2 674
SLOVO	KL	197	157.3	196	118	550.3
	Value	2 548.00	1 771.98	2 254.00	1 394.00	6 573.98
	Transactions	52	52	65	27	169
GINGINDLOVU	KL	281	277	246	189	803.78
	Value	3 319.50	3 267.02	2 804.00	2 237.00	9 390.52
	Transactions	62	59	61	45	182

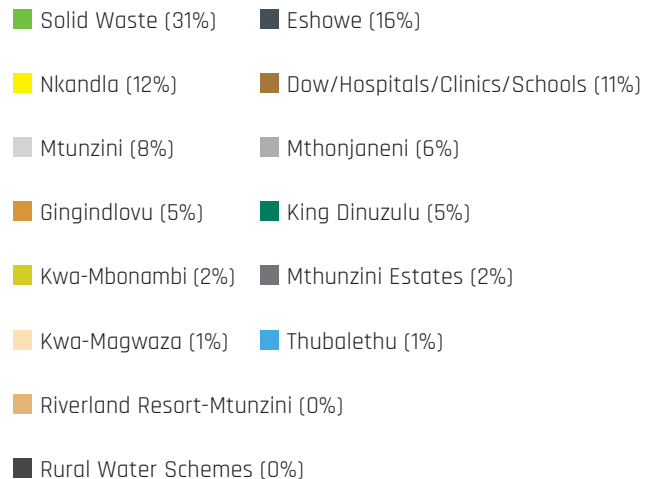
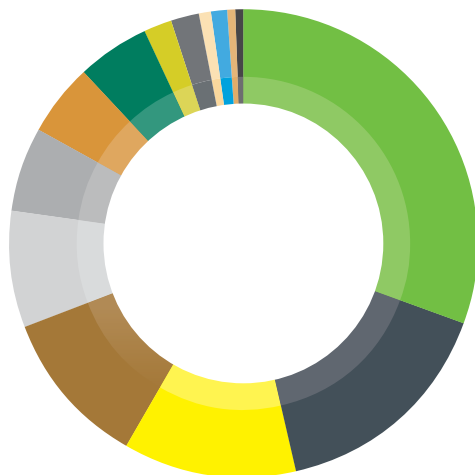
The analysis of the collection ratio for billings raised versus receipts per town for the year, is summarised below. To note the computations below summarise the total value of invoices generated for the period in comparison to the amount of actual cash received from the respective area.

AREA	DEBITS	CREDITS	COLLECTION RATE
SOLID WASTE	25 523 276.70	24 623 628.15	96%
KWA-MBONAMBI	1 802 079.21	1 878 160.84	104%
MTUNZINI	6 600 306.96	6 206 316.85	94%
MTHUNZINI ESTATES	1 831 420.96	1 448 142.61	79%
RIVERLAND RESORT-MTUNZINI	75 613.69	64 971.51	86%
GINGINDLOVU	4 070 104.97	4 150 348.46	102%
ESHOWE	13 261 103.97	13 685 445.38	103%
KING DINUZULU	3 672 867.06	2 689 929.66	73%
DOW/HOSPITALS/CLINICS/SCHOOLS	9 197 112.05	8 709 050.75	95%
MTHONJANENI	5 094 772.79	4 687 249.52	92%
THUBALETHU	317 480.51	49 983.82	16%
KWA-MAGWAZA	586 455.99	814 088.28	139%
NKANDLA	9 506 445.91	8 079 399.13	85%
TOTAL	81 392 703.00	77 254 623.40	95%

Billed Revenue vs Collection - 2018/2019



Revenue per Area



INDIGENT

In an attempt to alleviate the hardships encountered by the poor and aged residents of the district, the municipality has approved an indigent policy for the supply of free and subsidized services to qualifying applicants. The process applicable to receive this benefit involves a detailed analysis of the financial position of the applicant done by municipal appointed credit bureau service provider and the testimony of the councillor supporting the living conditions of the applicants. Indigents customers whose property value is less than R400 000.00 are automatically registered and those whose property are above R400 000.00 must apply annually for the indigent benefit.

Registered indigent consumers are afforded a monthly allocation of 10kl free water, and are only charged for usage thereafter. Therefore, where a consumer is able to effectively manage his/her monthly allocation of 10kl there would be no account to be paid.

DEBTORS

To deliver the services effectively, municipalities rely on its own revenue and grants. However, to this end, the issue of non-payment of municipal consumer debts by all recipients of services including government departments poses a serious threat to the financial health of municipalities in South Africa. This state of affairs cripples the cash position and the ability to fulfil the constitutional mandate and responsibilities of municipalities and puts reliance on government for grants.

The King Cetshwayo district municipality is also affected by this persistent increase of consumer debt which to date stands at R76 077 760.66, inclusive of current debts and VAT. Nevertheless, the Municipality is working tirelessly to put in place creative measures towards recovery of some of its debts and to curb the increase thereof. In the year under review each debtor account was profiled against private sector credit and consumer data so as to segment each consumer into categories such as legal recovery mechanisms. In cases where consumers were classified as financially vulnerable or elderly with no significant financial assets, such debts were written off.

With regard to the government debts, specifically the department of education, the municipality has sought assistance from Provincial Treasury, Cogta and KZN provincial Department of Education. These spheres of government have allocated specific individuals to assist the municipality and such has resulted in some notable improvements.

A noteworthy project of installation of prepaid smart meters within the whole district, where consumers will pay in advance for the water usage, will in due course, assist in reducing the burden of accumulating of debt.

In an effort to consolidate debt collection initiatives and strengthen the pool of knowledge and resources, the District Municipality in 2017/2018 co-ordinated a District Revenue and Debt Forum, wherein all Local Municipalities under its jurisdiction are members with Government departments being co-opted stakeholders. The efforts of the forum have already started bearing some fruits, where engagements with government departments have been strengthen and queries are resolved timeously.

TARIFFS

The District as the Water Services Authority (WSA) has the responsibility to ensure the sustainability of water supply in the area of jurisdiction. The costs involved in delivering water services need to be recovered by means of tariff charges. A punitive measure in the form of stepped tariffs for both domestic and commercial consumers is implemented to continuously provide water supply and to support conservation of water resource.

The district is also responsible for the provision of solid waste services, and such service operates under the strict compliance to the environmental regulations. The operation and maintenance costs in running the landfill site is quite high. It is therefore extremely important that the determination of waste tariffs are affordable and equitable in order to generate revenue required to recover all the costs incurred.

However, cognizance needs to be drawn to the fact that tariffs are at present not fully cost reflective across all services due to the

high cost associated with provision of services and such a position is not financially sustainable to the municipality.

COMMUNICATION

The Municipality believes that a sound communication strategy is a critical element to the building of local government long term sustainability. It is the municipality's belief that only through communication, customers and municipality's expectations can be clearly articulated and understood, thus strengthen the relationship between the municipality and its customers. It is for these reasons that revenue section holds regular meetings and workshops with all relevant community stakeholders such as ward councillors, government organizations and other elected community leaders. The number of meetings held in the financial year is 62, moreover the policies are accessible on a website as means of communication.

In order to further enhance the communication, municipality has a dedicated official who travels to each district's community to identify the needs and addresses issues relating to water, billing, indigent and future development. Furthermore, in a bid to reach as many customers and to deliver urgent notifications at a reduced costs, an sms system was introduced in 2015/2016 as an early reminder of unpaid accounts as well as water related issues such as water cut offs. The e-mailing system for the delivering of monthly debtors' statements was introduced in 2016/2017. All these communication initiative channels have received a positive response from the customers

5.2. INVESTMENTS, CASH FLOWS AND BORROWINGS

One of the municipality's incidental revenue streams is that of interest earned from the placing of investments. In order to regulate the transactions pertaining to investments, an approved investment policy has been adopted and is reviewed on a yearly basis (Last review dated 28 May 2019 – KCDMC: 2038/2019). The policy is aimed at gaining optimum return on investments without incurring undue risks. The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management, which must identify surplus amounts to be invested and when those funds will be needed by the municipality's operations. All investments are made with institutions which comply with the Banks Acts, 1990 (ACT No.94 of 1990).

The value of invested funds at any point is purely as a result of cashflow requirements, whereby the expenditure and receipt of funds are analysed so as to utilize unused funds in generating interest income. It must be noted that the value of investments unfortunately does not constitute as surplus funds as at all times the cash holdings are in lieu of certain reserves.

SCHEDULE OF INVESTMENTS

FINANCIAL INSTITUTION	MATURITY DATE	INVESTMENT AMOUNT
NEDBANK	02 July 2019	75 000 000.00
NEDBANK	24 July 2019	60 000 000.00
NEDBANK	26 September 2019	90 000 000.00
STANDARD BANK	On Call	20 000 000.00
STANDARD BANK	05 August 2019	50 000 000.00
STANDARD BANK	26 August 2019	55 000 000.00
		350 000 000.00

The municipalities investment portfolio commenced the year with an investment holding of R305 000 000, invested R1 885 000 000 during the year and R 1 535 000 000 matured. An average interest rate of 7.69% (2018 7.71%) was received on investments placed for the financial year.

LEVERAGE (BORROWING) AND CAPITAL STRUCTURE

The municipality evidenced a very strong gearing position, underpinned by very low utilisation of debt in the financial year. Accordingly, net debt to income is negligible, while cash flow coverage ratios are very high.

The municipality reported outstanding debt with a principal value of R38.5m at FY19 (FY18: R44.4m). This comprises a facility with ABSA (R24 979 600) and one with INCA (R13 553 713). Both facilities have been steadily amortised for more than nine years, with five and four years remaining respectively until they are fully expunged. The municipality is considering raising a R40m loan in FY20 to

fund a waste rehabilitation site. However, the project still needs to receive final approval and there are not yet firm plans as to how the funds will be raised. Nevertheless, the district does not anticipate any challenges in raising the funding, given its low debt position.

Given the low debt, the municipality reports negligible net debt to income, which has averaged around 5% over the review period. Similarly, operating cash flow coverage of debt and interest has been very high. Even accounting for another R40m in debt, net debt to income will remain below 10%, while operational cash flow cover of gross debt would remain above 200%. Accordingly, the municipality has a significant low gearing capacity and does not foresee any pressure from gearing over the short to medium term.

The municipality regulates the all transactions pertaining to borrowings through an approved borrowing policy, which has been adopted and is reviewed on a yearly basis (Last review dated 28 May 2019 – KCDMC: 2038/2019).

The table below reflects all loans obligations as at 30th of June 2019:

FINANCIAL INSTITUTION	LOAN /ANNUITY	LOAN TERM	INTEREST RATE	REMAINING PERIOD	OUTSTANDING BALANCE
ABSA Bank	R 46 000 000	15 years	12.6%	5 years	R 24 979 600
INCA	R 30 000 000	15 years	11.95%	4 years	R 13 553 713

As a result of the Council not taking up new loans the municipality has a low gearing ratio (debt ratio) of 1.86% .

MANAGEMENT ACCOUNTS

KEY PERFORMANCE AREAS

- Compliance with legislation
- Management of risk and implementation of proper internal controls
- Implementation of sound internal controls
- Implementation and the annual review of the District's:
- Investment and Banking policy
- Borrowing policy
- Develop sound financial reporting mechanism for the above functions
- Preparation of the Annual Financial Statements for Council and its entities
- Investment portfolio administration
- OPMS for finance department
- Submission of financial information for AFS preparation
- Prompt responses to internal and external audit queries

Compliance with all legislation applicable to local government and the compilation of fully GRAP compliant financial statements has been a challenging task which has been overcome through

the cooperation of every department within the finance section and supporting departments. All inputs are co-ordinated by the Management accounts section and such information ultimately forms the core of the Annual Financial Statements.

Having achieved a record of 17 consecutive unqualified audits our proud achievement of five consecutive "Clean Audit's" from 2012/2013, has created a passion for us to excel in all aspects. Although the municipality has received an unqualified audit opinion for the Consolidated Annual Financial Statements, the Office of the Auditor General had raised a finding relating to compliance with legislation for strategic planning and performance management relating to the Municipal entity. In this regard the municipality has compiled an audit action response plan which will be monitored monthly in order to ensure the matter raised by the Office of the Auditor General is addressed.

We do capacitate our staff, which therefore requires minimal external inputs and results in minimized costs for the preparation of financial statements. Furthermore it gives us a competitive edge by being a leading municipality in terms of compliance to regulatory and accounting standards. We have since 2007 voluntarily subjected our financial records to an independent financial rating. The key findings of the rating expressed by Global Credit Rating Co. can be summarized as follows:

SECURITY CLASS	MEANING	09/10 RATING	10/11 RATING	11/12 RATING	12/13 RATING	13/14 RATING	14/15 RATING	15/16 RATING	16/17 RATING	17/18 RATING
Short Term	Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.	A1-	A1 -	A1	A1	A1	A1	A1	A1	A1
Long Term	High credit quality. Protection factors are good. However, risk factors are more variable and greater in A- periods of economic stress.	A-	A -	A	A	A	A	A	A	A

Short Term Debt Rating Scale - rates an organization's general unsecured credit worthiness over the short term (i.e. over a 12-month period). Such a rating provides an indication of the probability of default on any unsecured short term obligations, including commercial paper, bank borrowings.

Long Term Debt Rating Scale - rates the probability of default on specific long term debt instruments over the life of the issue. It is possible that different issues by a single issuer could be accorded different ratings, depending on the underlying characteristics of each issue (e.g. is it a senior or subordinated debt instrument, is it secured or unsecured and, if secured, what is the nature of security).

A Rating Outlook indicates the potential direction of a rated entity's rating over the medium term, typically one to two years. It reflects financial or other trends that have not yet reached the level that would trigger a rating action, but which may do so if such trends continue. The outlook may be defined as being "Positive" (the rating symbol may be raised), "Negative" (the rating symbol may be lowered) or "Evolving" (the rating symbol may be raised or lowered). The latter is recognised where the fundamental trend has strong, conflicting elements of both positive and negative. An outlook may be defined as "Stable" if there is nothing to suggest that the rating will change. An outlook is not necessarily a precursor of a rating change or future Rating Watch action.

The Municipality was awarded an (A1 short term credit rating) and an (A long term credit rating), which is indicative that the municipality has maintained its rating for the past three years. Furthermore, the Municipality has received a stable rating outlook.

FINANCIAL RATIOS

The following table depicts some of the key ratios which gives a snap shot of the performance of the district municipality over the years.

RATIO	2019	2018	2017	2016	2015	2014	2013
Current ratio	1.74:1	2.23:1	2.31:1	2.51:1	2.4:1	2.5:1	2.4:1
Employee costs	27%	24%	26%	23%	21%	21%	21%
Borrowings increase/(decrease)	(5.92) mil	(10.6) mil	(12.9) mil	(9.5) mil	(3.6) mil	(3.2) mil	(24.4) mil
Debt coverage	29.43	23.81	23.56	26.28	17.13	27.69	19.32
Cost coverage	6	8	9.5	7.41	8.21	15.73	11.36

ASSETS

KEY PERFORMANCE AREAS

- Compliance with legislation and implementation of proper internal controls
- Management of risk
- Develop sound financial reporting mechanism for the above functions
- Implementation and the annual review of the District's Property, Plant & Equipment policy
- Submission of financial information for AFS preparation
- Prompt responses to internal and external audit queries

The utilization and management of property, plant and equipment register is the prime mechanism by which a municipality can fulfil its constitutional mandate for delivery of sustainable services and providing the basic needs to the community. In order to regulate the transactions pertaining to the assets, an approved property,

plant and equipment policy has been adopted and is reviewed on a yearly basis (Last review dated 28 May 2019 – KCDMC: 2038/2019.

The municipality has a legislated and moral obligation to safeguard the monetary value and future service provision invested in property, plant and equipment, hence the Asset Care Centre was established under the management of the Deputy Municipal Manager Finance, Senior Manager Assets and asset managers to ensure effective safeguarding, accurate recording and movement of assets. However, the stewardship rests with the respective Deputy Municipal Managers.

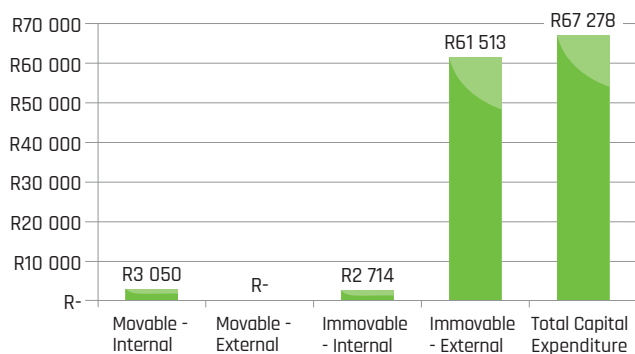
Assets are maintained and recorded in the asset register which is in the format that complies with current standards of accounting practice and in accordance with the applicable GRAP as well as National Treasury and the new MSCOA framework.

The asset care centre undertakes a verification of assets bi-annually per an audit asset verification plan. Disposals as well as capitalization are done in accordance with the municipality's policy which is in accordance with INational Treasury MFMA's guidelines.

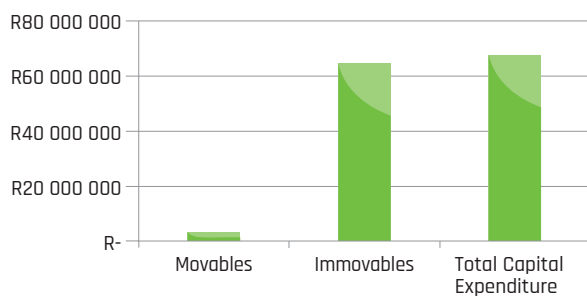
The following table depicts some of the key ratios which gives a snap shot of the performance of the district municipality over the years.

TABLE 2 – OVERVIEW OF MOVEABLE & IMMOVABLE ASSETS (JULY 2018 – JUNE 2019)					
	MOVABLE ASSETS		IMMOVABLE ASSETS		TOTAL CAPITAL EXPENDITURE EXCL VAT
	INTERNAL FUNDED	EXTERNAL FUNDED	INTERNAL FUNDED	EXTERNAL FUNDED	
	4 826 960			192 875 399	197 702 359

**Figure 2 - Trend in Asset Expenditure
(July 2017 - February 2018)**
R'000



**Figure 3 - Expenditure per Asset Category
(July 2017 - February 2018)**



	Movables	Immovables	Total Capital Expenditure
Asset Additions	R3 050 404	R64 227 660	R67 278 064

Table XX provides a schedule of assets completed and capitalised during the year under review of each Local Municipality under King Cetshwayo area of Jurisdiction

Table and graph to be sent upon finalisation of AFS

FLEET

Fleet (vehicle) management includes a range of functions, such as vehicle financing, vehicle maintenance, vehicle telematics (tracking and diagnostics), driver management, speed management, fuel management and health and safety management. These functions are dealt with by an in-house fleet department with the assistance of a service provider whom Council leases the vehicle's from.

With a pool of approximately 100 vehicles, two Fleet Officers control the utilization and give guidance to officials and Councillors on vehicle utilisation. This is done in line with the Pool Motor Vehicle Policy and Procedures. The Officer controls the day to day management of the municipal fleet. The pool vehicles may only be used by licensed employees who are not on the subsidised scheme, to perform their duties. Through the monthly reporting to Management and quarterly to the Performance Panel on the mileage, fuel and oil consumption, Council prevents unnecessary costs and misuse of vehicles from occurring. The Policy on Upper Limits of Remuneration for Councillors, touching specifically on travel allowances and out of pocket expenses is reviewed regularly and is currently being implemented in terms of the latest gazette issued. A policy also regulates the use of pool vehicles by councillors to ensure that it is in terms of the revised government notice of the time.

The current fleet comprises of the following:

TYPE OF VEHICLE	NO. OF VEHICLES
4X4 Double cabs	18
4x4 Single cabs	70
Sedans - 1.6	6
Truck 1 ton	1
Water tankers	11

The average mileage for a vehicle within the fleet is 2000 kilometres per month at an average fuel cost of R3000.00.

5.3. EXPENDITURE

EXPENDITURE

KEY PERFORMANCE AREAS

- Compliance with legislation
- Management of risk inclusive of Business Continuity Plan and implementation of proper internal controls
- Develop sound financial reporting mechanism for the above functions
- Prompt payment of all categories of creditors
- Prompt payment of staff salaries and councillor allowances
- An accurate and effective financial management system
- Submission of financial information for AFS preparation
- Prompt responses to internal and external audit queries

The Expenditure Section is structured into several subsections so as to ensure that adequate focus is placed on every aspect i.e. stringent monitoring of payments so as to comply with the requirements of the MFMA Act, as the accurate and timeous payments of staff salaries.

The core vision of the expenditure section, is to, with very limited resources, endeavour to settle payments timeously and ensure that payments are valid, accurate and in accordance with the statutory bodies such as SARS, National Treasury etc.

The department also aims to pay SMME's within 14 working days of receipt of invoices, to assist SMME's with cash flow as it's a big problem for small businesses.

The challenges that are faced by the department are that of the suppliers' inability to send statements on a monthly basis in order to enable the department to fully achieve the vision of timeous payments of creditors. There are however, mechanisms that are being used to encourage this best business practice and some positive results have been seen.

The Expenditure Section has processed 4702 cheques /ELE's from 7674 invoices received from suppliers in the 2018/2019 financial year, which resulted in Expenditure of more than 714 million Rands paid to suppliers.

The Expenditure section has paid 92.3% of their creditors within 30 day in 2018/2019, with the remainder being as a result of queries and the late submission of supporting documents.

The following table depicts some of the key ratios which gives a snap shot of the performance of the district municipality over the years.

NO AND VALUE OF CONTRACT / CREDITORS PAID				
DATE		NO OF PAYMENTS		VALUE
2018	July	387,00		121 365 358,41
	August	304,00		59 835 795,31
	September	374,00		62 083 095,16
	October	412,00		75 820 225,57
	November	459,00		69 918 855,02
	December	345,00		58 186 068,00
2019	January	293,00		54 697 773,70
	February	400,00		59 446 035,31
	March	311,00		48 012 231,52
	April	409,00		85 553 043,22
	May	506,00		64 742 182,06
	June	502,00		76 119 563,05
Totals		4 702,00		714 414 867,92

PAYROLL

The payroll section manages the salaries and wages to permanent and contract staff.

PAYMENTS OF SALARIES, 3RD PARTIES AND SARS				
DATE		SALARIES	3 RD PARTIES	SARS
2018	July	8 934 315,63	4 258 181,88	2 977 630,59
	August	9 014 217,02	4 284 244,34	2 873 747,12
	September	10 457 173,62	4 774 124,20	3 630 787,28
	October	9 388 771,63	4 494 314,54	4 115 347,46
	November	18 286 943,62	4 617 467,07	3 191 304,93
	December	10 333 447,74	4 535 407,27	5 161 697,07
2019	January	9 874 719,21	4 732 478,91	3 571 326,66
	February	9 701 748,63	4 833 405,23	3 446 966,20
	March	9 785 281,86	4 819 237,62	3 385 758,32
	April	9 811 623,69	4 851 735,60	3 411 064,99
	May	9 738 991,32	4 842 671,72	3 435 744,53
	June	9 720 656,75	4 839 760,66	3 298 207,26
Totals		125 047 890,72	55 883 029,04	42 499 582,41

The above table reflect the monthly employee related costs for the municipality, the high salary bill for the month of November is as a result of Bonus for all staff.

COMPONENT B: KING CETSHWAYO FRESH PRODUCE MARKET ENTITY

ANNUAL REPORT OF THE KING CETSHWAYO DISTRICT MUNICIPALITY'S ENTITY

OPERATIONS OF THE KING CETSHWAYO FRESH PRODUCE MARKET

1. STRATEGIC GOALS

The following strategic goals were developed in a strategic session in January 2016 to guide performance of the Company. The entity's mandate is based on strategic objectives as highlighted below.

- Sound Corporate Governance and administration;
- Financial viability and stability
- Reliable Quality Services and stakeholder focus
- Broaden Market Access and Supply
- Agrarian Socio-economic Development

2. BACKGROUND:

2.1 The company is mandated to source fresh produce from local farmers in King Cetshwayo District Municipality. During the summer period vegetables are scarce because they are winter crops. Hence the entity had a challenge of sourcing demanded fresh produce from local farmers during this period, because they were off- season. The produce was mostly sourced from the speculators and the farmers from other Districts.

2.2 The supply of fresh produce to schools was also heavily compromised due to challenges the entity encountered with its transporters. They emanated from changes that were

introduced by the entity to cut down on transportation costs and ensure efficient operations. Currently the entity relies heavily on transporters to execute its operations/logistics.

2.3 There were 72 transporters that were contracted by the entity since it started to operate on its own (without an agent) in 2016. These transporters were claiming exorbitant kilometers which led to an adverse audit opinion by the Auditor General in 2017/18 Financial Year. At the beginning of the 3rd quarter of 2018/19, there was then a need to redress and physically verify the kilometers travelled by transporters. The District Municipality undertook this exercise. During physical verification it was found that schools allocated per transporter were scattered. There was a need to re-cluster schools and allocate them to transporters who were residing in close proximity to those schools. The distances were verified using Google maps. This led to shorter mileage travelled by the transporters at R8.00 per kilometer, hence lower claims than before.

2.4 This exercise and the new rate led to some transporters abandoning their clusters, more particularly in uMhlathuze and uMfolozi local Municipalities. In uMlalazi, Nkandla and Mthonjaneni, the transporters embarked on strike action, which saw some schools not getting supplied.

3. TRANSPORT

3.1 There are 13 Transporters who abandoned the entity at the beginning of the 3rd quarter; these transporters were mostly from uMhlathuze Local Municipality. This could be attributed to the shorter distances between the schools and close proximity to the market.

3.2 The Transporters from Nkandla, Mthonjaneni and uMlalazi went on strike against/disputing the new rates and kilometers derived from the Google maps. The entity was found wanting with no transporters to take fresh produce to schools. It then ended up procuring produce that did not reach schools on time and by the time it reached schools after an intervention by the District Municipality, it had already lost its quality and freshness. This was caused by the fact that the entity is trading with a product that has a shorter shelf life. In order to redress the challenge that the entity was faced with, a decision was then taken to use the Municipality's vehicles to assist in the delivery of fresh produce to schools. This intervention was not sustainable since the municipality officials and vehicles were needed for other services.

3.3 Thereafter 18 vehicles/vans were hired from AVIS Truck Hire to assist in the operations. These vehicles were allocated to uMlalazi Municipality, which is vast and the schools are far apart, ranging from Mtunzini to the borders of Kranskop. Most schools in this local municipality are rural and roads leading to them are bad. The AVIS intervention could not cover all schools in uMlalazi. The AVIS drivers were not familiar with the area and they could not locate some of the schools. They were given the uMlalazi Transporters contact details so that they could phone them to locate the schools. The vegetables for schools that were not located were brought back to the entity, of which some could not be used the following week, especially cabbages and tomatoes because of their shorter shelf life. Commodities such as butternut and onions were carried over to the following week.

3.4 This intervention occurred on a Thursday and schools close earlier on Fridays. Traveling from Empangeni to some of the uMlalazi schools would take more than 3 hours due to bad and gravelled roads. Therefore, the vehicles were not

sent back to uMlalazi on a Friday. The cost of hiring the AVIS vehicles that delivered in uMlalazi per week was estimated at R50 000.00 per week.

4. SUPPLY OF FRESH PRODUCE TO SCHOOLS

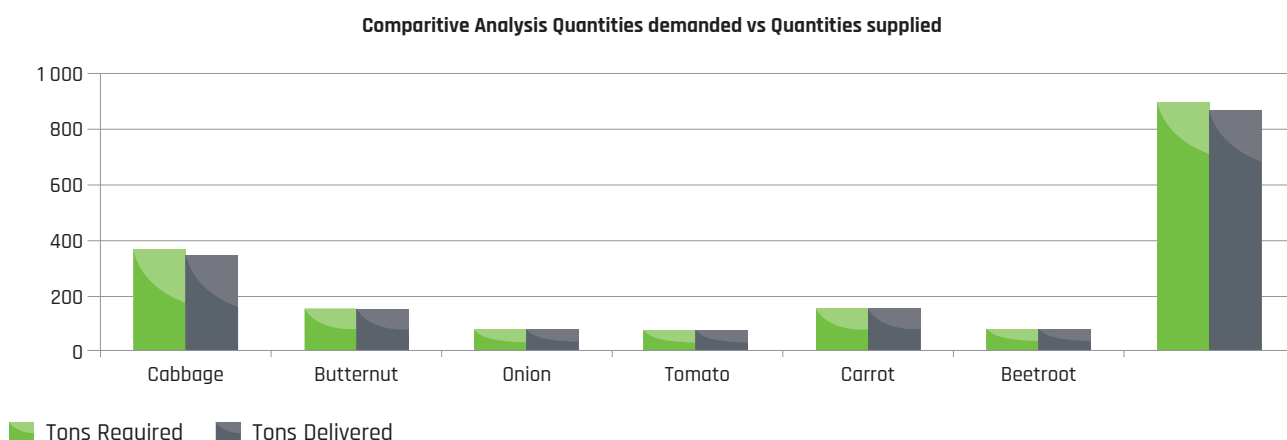
4.1 Attaining the demanded quantity, quality and diversified fresh produce from local producers remain a challenge. There are basically two crops that are available from the farmers, namely; cabbage and butternut.

4.2 The entity was supposed to source and deliver 897 tons of fresh produce to schools however, there were 869 tons that were sourced and delivered to schools, translating to 97% of fresh produce being delivered in the 3rd term. This marks an improvement from last year's 3rd term where out of 100% of the tons projected in terms of delivery of all the commodities, the entity managed to deliver a total of 86% of the tons to schools.

Table 1: Tons required versus tons delivered

	COMMODITY	TONS	
		REQUIRED	DELIVERED
1.	Cabbage	366	343.25
2.	Butternut	152.28	148.11
3	Onion	75.36	75.36
4.	Tomato	73	73
5.	Carrot	152.4	152.4
6.	Beetroot	77.73	77.73
	TOTAL	897	869.85

The graph 1 below depicts the quantity demanded versus the quantities supplied in term 3.

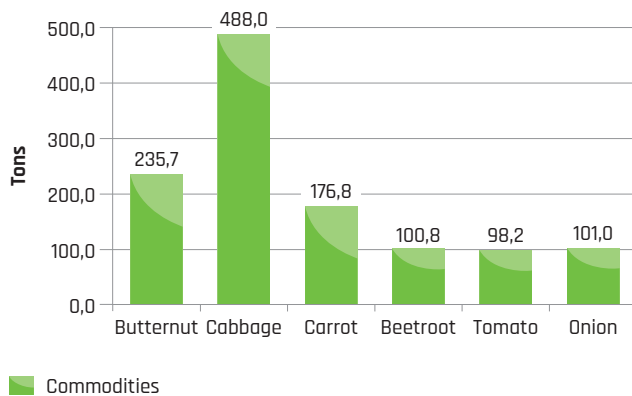


Graph 1: Quantity Demanded Vs Quantity Supplied

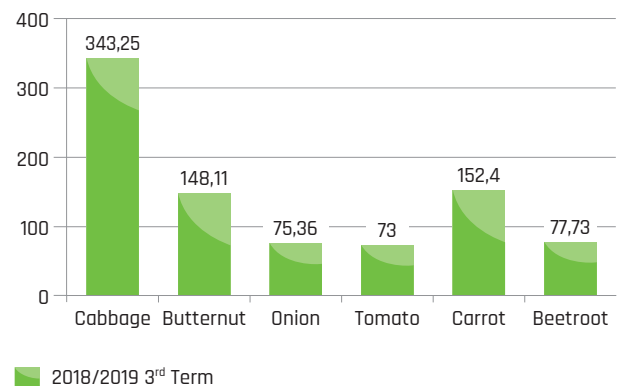
COMPARATIVE ANALYSIS (QUARTER 3/2017/18 AND Q3 2018/19)

The graphs below illustrate the fresh produce required during the third quarter of 2017/2018 versus that of quarter three 2018/19.

Graph 2 depicting fresh produce required during Q3/2017/18



Graph 3 depicting fresh produce required during Q3/2017/18



The total tons delivered in quarter 3 of 2017/18 were 659.5t and the total tons delivered in quarter 3 of 2018/19 were 870t.

Table 2: Depicting the comparative analysis between the required and delivered fresh produce during quarter three of 2018/19

	CABBAGE	BUTTERNUT	ONION	TOMATO	CARROT	BEETROOT
Required	366.425	152.28	75.36	73	152.4	77.73
Delivered	343.25	148.11	75.36	73	152.4	77.73
Percentage	94%	97%	100%	100%	100%	100%

Out of 100% tons projected delivery of all the commodities, the entity managed to deliver a total of 97% tons to schools.

5. TRANSPORTING OF FRESH PRODUCE TO SCHOOLS

5.1 There were 72 transporters that were contracted by the entity to collect and distribute the fresh produce to 610 schools throughout the District by the end of quarter 2 of 2018/19 Financial Year. The following table outlines the cost incurred by the entity before re-clustering and rationing of kilometres travelled by the transporters in quarter 3.

5.2 NUMBER OF SCHOOLS PER LOCAL MUNICIPALITY

Table: 1 Number of transporters per Local Municipality

LOCAL MUNICIPALITY	NUMBER OF TRANSPORTERS	NUMBER OF SCHOOLS	NUMBER OF LEARNERS	TOTAL TONS PER LM	TRANSPORTERS ESTIMATED WEEKLY COST (ZAR)
Mhlathuze	22	131	81 542	34.2	40 777.23
Mfolozi	12	93	44 624	19.3	27 515.52
Mlalazi	19	214	63 703	30.8	39 931.30
Nkandla	15	131	46 159	16.4	30 334.13
Mthonjaneni	4	41	16 774	7.1	9,463.52
	72	610		107.8	148021.7
Number of weeks in a year	41				6 068890

Estimated costs after re-clustering and use of Google maps to verify kilometers

LOCAL MUNICIPALITY	NUMBER OF TRANSPORTERS	WEEKLY COST (ZAR)
Mlalazi	17	23 536.00
Mhlathuze	21	15 995.72
Mfolozi	12	13 868.16
Nkandla	18	14 744.72
Mthonjaneni	4	4 543.04
TOTAL	72	72 687.64

5.3 ALLOCATION OF SCHOOLS PER TRANSPORTER

5.3.1 The distribution of schools to transporters is abnormal, where some transporters deliver up to 20 schools per transporter and others only have 1-3 schools. The entity has taken a resolution that the schools must be re-clustered to ensure fair distribution and the minimum load carried by each transporter should be at least one ton. The mileage travelled by the transporters have been re-calculated to minimize transporters who can travel more than 100 kilometres and also improve on efficiency.

5.3.2 During quarter 3 of 2018/19 NSNP, there were 611 schools benefitting from the NSNP in King Cetshwayo District Municipality.

5.4 CLUSTERING OF SCHOOLS AND NEW TRANSPORTATION COST MODEL

5.4.1 Previously schools were scattered and a decision was taken to re-cluster schools according to their geographical location (wards) and their enrolments. The new clustering strived to ensure that each transporter loads 1 ton and the rate or tariff will be based on kilometres travelled R8.00 laden and R4.00 on return trip. There have been major reductions in the cost of logistics, which led to 13 transporters in UMhlathuze, uMfolozi and uMlalazi combined, abandoning their clusters. To this end the entity appointed 7 transporters on a temporary basis to replace them due to an urgent need for their services in order to ensure efficient operations and compliance to the DoE SLA.

5.5 CHALLENGES WITH THE TRANSPORTERS

5.5.1 The Auditor General (AG) found an anomaly in the cost of delivering fresh produce to schools. Some transporters were claiming more than a 1000km within one local municipality. This was followed by a physical verification by the Auditor General and a recommendation was made to physically verify kilometres for all the transporters. This challenge was more prevalent in uMlalazi and Nkandla local Municipalities.

5.5.2 The AG findings and recommendations were followed by the physical verification of kilometres that was undertaken by the District Municipality, together with the Fresh produce personnel. It was observed during physical verification of mileage claimed that the schools which were allocated to transporters were scattered and they did not follow any particular order. One would find that schools that were separated by a fence were serviced by different transporters.

5.5.3 There was then a need to re-cluster schools to ensure that at least one transporter delivers in schools in his or her own ward or local municipality and improve efficiency.

5.6 COLLECTION OF PROOF OF DELIVERY NOTES (PODS)

5.6.1 The collection of PODs is a challenge at the entity as some principals are not always in schools on Mondays, when fresh produce is delivered. At times they dispute the quality of produce and do not sign the PODs.

5.7 IMPROVEMENT PLAN

5.7.1 The PODs in the satellite hubs are delivered at the District Municipality's Cashiers' offices where they sign for the PODs returned. The Operations Unit has to send PODs to Finance weekly for reconciliation and capturing. The entity embarked on Roadshows to engage Principals in all local municipalities on the importance of signing PODs.

5.8 BULK TRANSPORT AND SATELLITE HUBS

The absence of physical structures in the satellite hubs remains a challenge. In the interim, bulk transportation is used as collection hubs at designated collection points. There is a need to identify government structures that are no longer in use in uMlalazi, Nkandla and Mthonjaneni and use them as distribution points.

GOVERNMENT INTERVENTIONS RECEIVED BY KCFPM

The Radical Agrarian Socio-Economic Transformation (RASET) programme was launched by the Provincial Government of Kwa-Zulu Natal in 2016. The program aims to create economic opportunities through the government's procurement system, encouraging historically marginalized/disadvantaged individuals (HDI) to seize available opportunities within various government sectors.

The MEC: Economic Development was approached by the Acting CEO of the entity to assist the entity which was facing heavy cash flow problems and transporter strikes and needed urgent intervention.

The entity was then included in the RASET programme as one of the projects to be supported. This was also based on the nature of its operations relating to developing the local agricultural sector (i.e. procuring produce from local HDI farmers and supplying to the King Cetshwayo District's schools through the National Schools Nutrition Programme NSNP), which supported the RASET programme's vision.

King Cetshwayo Fresh Produce Market's needs for support are largely due to the logistics challenges that it experiences. During 2017/18 there were various transporter strikes that took place,

transporters being the service providers who collect/deliver produce to schools from the market or various collection sites within the five local municipalities. The strikes negatively affected the operations, services and revenue of the entity to such an extent that schools at various times during the year were unable to receive produce.

RADICAL AGRARIAN SOCIO-ECONOMIC TRANSFORMATION HANDOVER

On the 15th May 2019 a handover ceremony took place at the Ngwelezane Town Hall where the entity received the following support under the RASET programme:

- 2 X 7 Ton Refrigerated Isuzu Trucks
- 1 X 8ton Mesh-Wired Truck
- 2 X Toyota 4x4 1ton Bakkies with Trailer
- Funds of up to R400 000 (*receipt, terms and conditions to be confirmed)

Over and above this, the entity has begun receiving expert advice from the RASET Project Management Unit (PMU). Advice relates to:

Crop production planning for farmers which assists in improving production techniques and ultimately volumes and quality of produce;

Commodity pricing which aims to ensure the entity balances farmer produce prices with market prices to avoid revenue losses; Logistics planning and management which includes assistance with managing issues of transporter strikes with service providers and discrepancies in calculation of kilometers. The vehicles the entity has been given are being adequately planned for in order to reduce current transportation costs related to both bulk transportation and distribution. The planning process is being scheduled with the RASET PMU and a date will be communicated.

Contract management and contract negotiation for existing and potential service level agreements with various government departments. This will assist with the negotiation of feeding rates in terms of the NSNP and any other new contracts with government departments as well as making sure the entity delivers on all its contractual obligations.

The combination of the assistance RASET has made available covers the primary interventions necessary to improve the supply and distribution of produce and overall entity performance.

DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (COGTA) GRANT APPLICATION

The RASET PMU has also provided support in relation to advising on accessing available funding from a COGTA grant that can further support farmer development. Currently the entity is earmarking the funding for the development of satellite hub infrastructure. Satellite hubs are the collection and distribution points of produce in the three local municipalities of uMlalazi, Nkandla and Mthonjaneni. The entity is in discussion with the RASET PMU on how to best draft the funding application as well as access other available funding in the various provincial departments.

The entity was approached by the Office of the Premier: Operations Management/Organizational Development after receiving various reports on the challenges the entity was experiencing. Meetings were held between the entity and the office of the Premier on 14 May and 4 June 2019. The meetings expanded on the operational processes and challenges experienced by the entity, and the Premier's office requested a full report in order to rally more resources necessary to support the entity and the establishment of a forum inclusive of the relevant role players/stakeholders.

REPORT ON AGRO PROCESSING FACILITY DEVELOPMENT AT KCFPM

AGRO PROCESSING

Agro-processing refers to the processing of agricultural raw materials and is identified as one of the economic growth drivers by the South African Government's National Development Plan, New Growth Path and Industrial Action Plan. The 2016 statistics provided by the Department of Agriculture, Forest and Fisheries (DAFF) show the agro-processing industry as having contributed to both the manufacturing sector and the economy to the value of 32.2% and 4.4% respectively. In 2018 South Africa was hit by a recession and this resulted in negative growth and job losses in the agro-processing industry (DAFF 2018 Quarter 3 Report).

One of the mandates of the King Cetshwayo Fresh Produce Market is to link farmers with access to markets. The Agri-business/ Farmer Support Unit has been tasked to investigate diversification strategies and agro-processing has been identified as one of the strategies of achieving the mandate

The addition of an agro-processing facility to the entity's services would be based on tapping into new customers who require processed produce. Commodities that are currently supplied by farmers to the entity would be processed (cut and frozen or dried) and additional commodities would be added to the entity's commodity offering according to customer needs and availability from farmers.

Agro-processing also has the potential to reduce post-harvest losses experienced by farmers, whilst expanding the entity's customer base and commodity offerings and creating job opportunities. More farmers access the market, and economic activity and food security is improved.

A farmer development/ support plan and turnaround strategy which includes the agro-processing plan has been submitted to the Acting CEO, however there are challenges that delay implementation.

CHALLENGES

Economic Climate: The current economic climate in South Africa is unsuitable with job losses experienced within the agriculture industry and specifically within the agro-processing sectors (3 469 as reported in the 2018 DAFF Quarter 3 Economic Review).

KCFPM Inadequate Infrastructure: The KCFPM building has various environmental health non-compliance challenges. In previous discussions during 2017/18 with the KCDM Planning Division it was concluded that the building and specifically identified areas did not meet the necessary requirements for compliance (environmental health and safety/ food handling/ processing standards).

Lack of Funding: The entity does not have the required funding for: staffing, training, purchase of processing equipment, as well as funding to upgrade the identified property to meet the required compliance standards.

Intermittent Availability of Produce: The entity has been experiencing challenges with intermittent availability of produce from farmers. Lack of capacity by farmers affects supply to customers and thus rolling out an agro-processing program would be greatly affected.

Currently farmers on the KCFPM database do not have capacity to supply required volumes of produce to the entity. During the 3rd Quarter the entity procured 56% of its produce from local farmers.

FARMER SUPPORT AND DEVELOPMENT ACTIVITIES CARRIED OUT BY KCFPM

The KCFPM Farmer Support department resumed duties in January 2018 and was tasked with a mandate of supporting farmers who are registered on the KCFPM database and who supply the entity with produce. The need for the department was based on KCFPM experiencing challenges with low volumes and low quality produce supplied by farmers which negatively affected the entity's revenue as well as its relationship with the district Department of Education, the client. The intermittent supply of produce from local farmers is problematic in meeting the entity's contractual obligations.

Farmers communicate their lack of capacity as being due to lack of support programs, specifically production planning and post-harvesting techniques, lack of mechanization, irrigation systems, inputs (seedlings, fertilizers), fencing etc. The farmer support unit aims to support farmers by linking them to funding, skills development programs and relevant input and mechanization support available in various government departments/development agencies.

The department is also tasked with seeking funding specifically directed towards skills development and training of farmers to enable them to better supply the entity with the required volumes and quality of produce. The department seeks cooperation with various government sector departments, non-profit organizations and development agencies in order to streamline available farmer support to efficiently reach farmers.

Challenges experienced by KCPM farmers directly affect operations and performance of the entity. There is an urgent need to fast track deliberate and impact-focused farmer development interventions for KCFPM HDI farmers.

Out of 121 farmers registered in the KCFPM database, a total of 30 farmers belonging to various co-operative groups have been supported through training and input support. The support has been received in collaboration with both Owen Sithole College of Agriculture and the King Cetshwayo District Municipality Planning Department.

FARMER SKILLS TRAINING

In April 2018 King Cetshwayo Fresh Produce Market (KCFPM) was awarded an Agri-Seta discretionary grant to train emerging farmers. The grant, valued at R101 376.00 covers all related costs for the candidates and had an end date of 31 March 2019.



The image above shows 14 farmers who were able to avail themselves on the first day (All were present at the training centre by Wednesday 20 February).

KCFPM coordinators selected 22 farmers based on perceived lack of capacity and need and with a specific focus on youth and females. The 6-week training which focused on production, marketing and harvesting began on Monday 18th February 2019 at the Owen Sithole College of Agriculture and due to various challenges and delays, it concluded on the 10th May 2019. The training institution was selected by Agri-Seta. A detailed report with student profiles, and detailing training content is yet to be submitted to KCFPM by Owen Sithole College of Agriculture.

Candidates were picked up by the college's transportation, the majority of whom were youth with 8 out of all trainees being women. All were accommodated at Owen Sithole College of Agriculture for the training duration, meals were provided three times daily and stationery/ training material was procured by KCFPM.

CHALLENGES



The contract for the grant was signed in April 2018 however, the training did not commence at the time due to various challenges which included mainly that of accommodation and clashing timetables at Owen Sithole College of Agriculture.

With the expiry date of the contract being 31 March 2019, it meant KCFPM had to request an extension which was granted until end of June 2019. An addendum was sent by Agri-Seta for signature with a request to attach a recent tax certificate from the entity. The addendum was signed on the 20th March 2019 by the Acting CEO of the entity.

The entity's tax certificate had been requested numerous times by the entity's finance department and the Manager: Farmer Support was provided with a tax certificate for 2018 ending in April 2019 but assured of receiving the updated and recent 2019 copy before the deadline for extension submission, which was in March. The manager was eventually told the document would not be received due to challenges with the entity's vat registration that would take some time to resolve.

This affected the submission of the addendum due to outstanding documentation and subsequently the deadline for submission lapsed.

The Manager: Agribusiness/Farmer Support has sent a communiqué to Agri-Seta requesting advice and assistance on how to navigate this challenge to avoid losing the grant. No response has been received to date.

INPUT SUPPORT

In April 2019 12 farmers in the KCFPM database received input support in the form of fertilizer, water tanks (Jojo), tree-cutting machinery, livestock feed and seedlings (beetroot, cabbage, onions and spinach) from King Cetshwayo District's Planning Department.

PRODUCTION PLANNING/SCHEDULING

The entity is also carrying out plans to undertake production scheduling to avert the shortage of commodities. This will be done in partnership with the local Department of Agriculture and Rural Development.

To take this forward the entity has identified 10 farmers with the relevant capacity and mechanization according to market needs. At present the payment status of these farmers is being updated with the finance department in order to begin the planning/scheduling process and to convene the relevant stakeholders which include an agricultural specialist from within the RASET PMU.

WAY FORWARD

The entity values the support received from the KCDM Planning Department (Agriculture Unit) that has provided KCFPM farmers with seedlings and would like to continue collaborating with them in accessing more support through the various platforms the Planning Department's Agriculture unit sits on, in order to further streamline available support for the benefit of the district's farmers.

KCFPM can only continue to operate and meet its contractual obligations and mandate if farmers are capacitated with the relevant inputs, mechanization and skills to be able to provide the necessary volumes and quality. The support of farmers will look at supplying KCFPM small scale farmers and further support emerging farmers to develop into commercial farmers.

FINANCIAL IMPLICATIONS:

The entity missed the deadline for submission of Agri-Seta award extension documents. This was due to delayed non-compliance with tax regulations which means that all training costs and expenses are incurred by the entity. These include the material procured (already paid for by the entity), beds that were leased due to Owen Sithole not being able to provide these upon arrival of farmers, meals and accommodation costs. The entity received the relevant invoices submitted by the services providers.

SUSPENSION OF CONTRACT NOTICE FROM THE DEPARTMENT OF EDUCATION

On the 1st July 2019 the entity was notified by the Department of Education of the suspension of its contract with them. Operations at the market have since halted pending engagement with the client. Revenue collection and the updating of financial statements has been the core of operations since suspension date.

REVENUE COLLECTION

The collection of revenue via the process of retrieving outstanding Proof of Delivery Notes from schools and transporters was intensified when the contract was suspended on the 1st July and continued until 3 September 2019. Due to operations being suspended and the lack of access to transporters, the entity had to send out its officials to collect the outstanding proof of delivery notes from a large number of schools in the 5 local municipalities. The process has been concluded and all invoices have been submitted to the Department of Education for revenue collection.

ORGANISATIONAL PERFORMANCE MANAGEMENT SYSTEM

1. LEGISLATIVE REQUIREMENTS

The entity has adopted the Performance Management Framework that is approved and implemented by the parent municipality. In line with various Acts and Regulations on Performance Management System, the entity has aligned itself to fulfil the obligation as outlined in Section 40 of the Municipal Systems Act of 2000 (MSA) that the municipality must establish mechanisms to monitor and review its Performance Management System", so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and employee levels. The entity will review the Key Performance Areas, Key Performance Indicators and Performance targets to align with the parent municipality's developmental priorities and goals.

The Municipal Planning and Performance Management Regulations (2001) stipulates that a "municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players" (Chapter 3, Section 7, Municipal Planning and Performance Management Regulations, 2001).

Section 46 of the Municipal Systems Act (ACT 32 of 2000) stipulates the following:

Annual performance reports

- 46 (1) A municipality must prepare for each financial year a performance report reflecting:
- (a) the performance of the municipality and of each external service provider during the financial year;
 - (b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year;
 - (c) measures taken to improve performance.
- (2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Financial Management Act.

2. INTRODUCTION

The 2018/2019 King Cetshwayo Performance Management Framework Policy together with the standard operating procedures were reviewed and adopted on 28 June 2018 for the 2018/2019 financial year.

This report includes highlights from the key performance measures included in the Annual Performance Plan for the 2018/19 financial year. These priority measures constitute the Organisational Scorecard for 2018/2019.

At the end of quarter 4 (April to June 2019), 18.33% of priority performance measures have been met or exceeded this year-end target. Areas for improvement have been included in the report. Accountable officials have provided commentary to put performance into context and identified actions that are taken to address under performance.

The 2018/2019 financial year proved to be a challenging year for the entity, with no top management officials to provide leadership as well as staff members performing dual functions because of the shortage of staff and limited budget to appoint new officials. This therefore had a direct effect on the market's efficiency and effectiveness in providing efficient service to the clients. A decision was therefore taken by Council at its meeting held on 27 June 2019 (KCDMC: 2187/2019) to de-establish the King Cetshwayo Fresh Produce Market and a District Development Agency (DDA) be established in accordance with the framework provided by COGTA.

The following graph compares the overall performance of the entity for the 2018/2019 financial year to the 2017/2018 financial year.

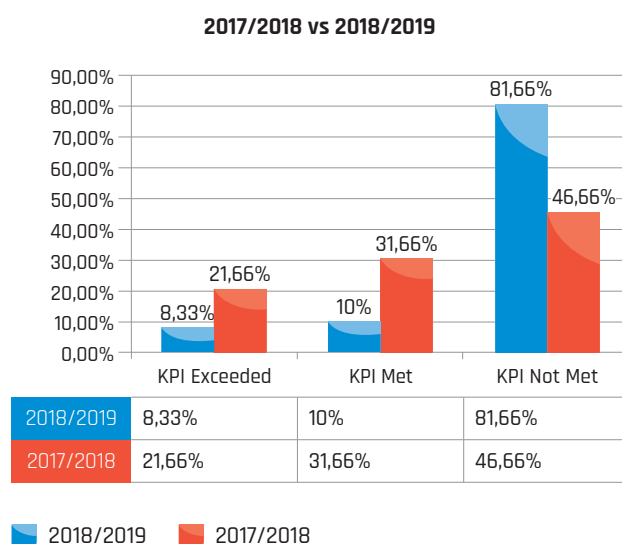
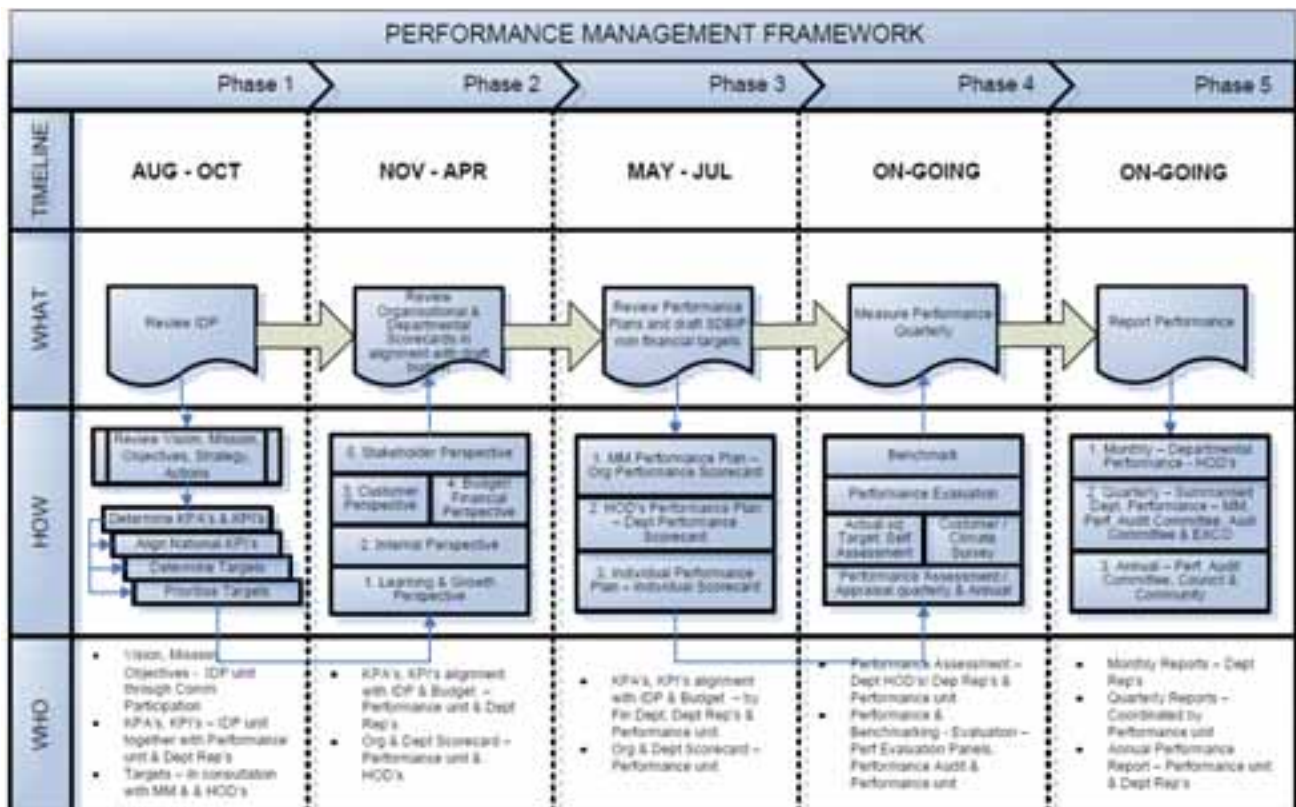


Figure: Overall Performance for 2018/2019 Financial Year compared to the 2017/2018 Financial Year

3. ORGANISATIONAL PERFORMANCE MANAGEMENT PROCESS

Key performance indicators were refined in support of the entity's development priorities and objectives as set out in the Strategic Planning Document developed during the planning session held in February 2018. These priorities and objectives will remain for the duration of the Plan for consistency in measuring and reporting on long term strategies and projects. Measurable performance targets with regard to each of these development priorities and objectives were established.

The following diagram illustrates a summary of the performance management framework for King Cetshwayo District Municipality and its entity for performance measures and reporting adhering to the guidelines suggested by Kwa-Zulu Natal Province, Department of Cooperative Governance and Traditional Affairs, which the King Cetshwayo Fresh Produce Market will adhere to:



4. AUDITING OF PERFORMANCE INFORMATION

The Municipal Systems Act 2000, Section 45 requires that the results of the performance measurements in terms of section 41 (1) c, must be audited as part of the internal auditing process and annually by the Auditor-General. All auditing must comply with section 14 of the Municipal Planning and Performance Management Regulations, 2001 (Regulation 796).

Ngubane and Company were appointed by King Cetshwayo Fresh Produce Market to perform the Internal Audit function within the entity. As part of their scope, auditing of the Performance Management System and of Performance Information was performed and a report was received for quarter 1 and 2 and 3 in terms of the following:

QUARTER 1

Review the functionality of the Performance Management System and management's compliance thereto, dated 25 July 2019.

QUARTER 2:

Review the functionality of the Performance Management System and management's compliance thereto, dated 25 July 2019.

QUARTER 3:

Review the functionality of the Performance Management System and management's compliance thereto, dated 25 July 2019.

QUARTER 4:

The Internal Auditor is currently conducting quarter 4 Audit on the Performance Management System.

5. PERFORMANCE OF EXTERNAL SERVICE PROVIDERS

The monitoring of the service provider performance is ensured through the signing of Service Level Agreements. It is currently being done on a user department level. The end user department provides reports on performance of service providers.

The following are the service providers engaged in each business unit during the 2018/19 financial year on critical functional areas of the entity:

ASSESSMENT OF EXTERNAL SERVICE PROVIDERS							
NO.	DEPARTMENT	EXTERNAL SERVICE PROVIDER	SERVICE PROVIDED IN TERMS OF SIGNED SLA	PERFORMANCE TARGET / TIME FRAMES	ASSESSMENT OF SERVICE PROVIDERS PERFORMANCE	POE AND CORRECTIVE MEASURE IN CASE OF UNDER PERFORMANCE	SCORING PERFORMANCE OF THE SERVICE PROVIDER USING 1-5 RATING SCALE: 1=POOR; 2=FAIR; 3=GOOD; 4=VERY GOOD; 5=EXCELLENT
1.	FINANCIAL SERVICES	MAKHEDA BUSINESS PROJECTS	The tender is for the provision security services at King Cetshwayo Fresh Produce Market premises situated at A1252, Ngwelezane, Empangeni, 3880. One security guard during the day and two security guards at night and weekends.	01 July 2015 To 30 June 2016 A month to month contract was entered into after 30 June 2016.	The level of service by the service provider was satisfactory up to the month of June 2019. We experienced no problems		4
2.	FINANCIAL SERVICES	NGUBANE & CO	The tender is for the provision of internal audit services. Ngubane & Co provides auditing services on a quarterly basis according to the audit plan.	1 July 2017 – 30 June 2020	The service was satisfactory, the late appointment of Internal auditors adversely affected the audit as a result quarter 3 & 4 is still in progress.		4
3.	CORPORATE SERVICES	RIS VEHICLE HIRE	The tender is for the provision of two bakkies on a full maintenance lease.	1 July 2016 – 30 June 2019	The service was satisfactory up to 30 June 2019.		4

7. ANNUAL ORGANISATIONAL PERFORMANCE INFORMATION

The Annual Performance Report for the 2018/2019 financial year has been completed and reflected in the Organisational Performance Scorecard in a table format (as prescribed by KZN CoGTA). The Organisational Performance Scorecard table will be presented to the Auditor General for auditing together with the Annual Financial Statements and Draft Annual Report.

This Annual Performance Report should be read in conjunction with the Annual Report, including the Annual Financial Statements as well as the Auditor General Report on the Annual Financial Statements and Performance Information for 2018/2019.

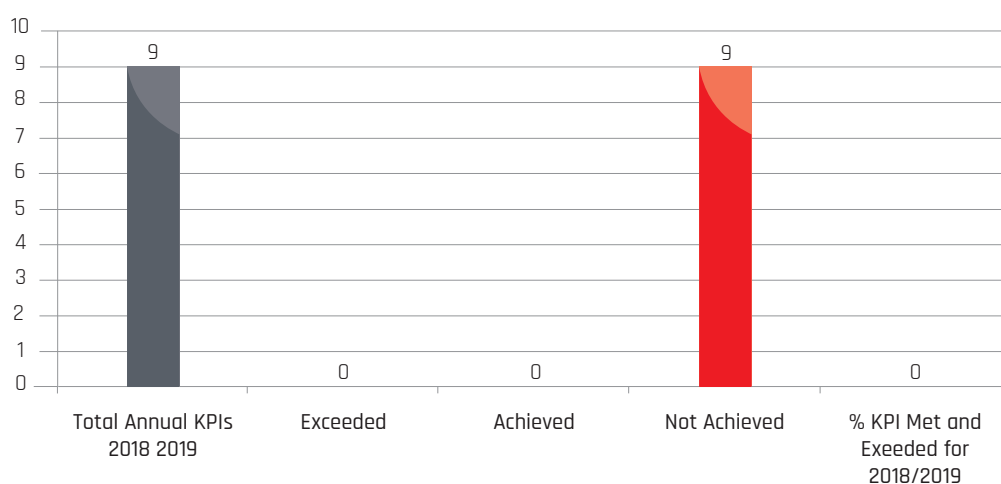
The colour coded system used to report performance is as follows

- **Blue** - Exceeded
- **Green** - Achieved
- **Red** - Not Achieved

The OPMS for 2018/2019 had 60 targets. Out of 60 targets, 11 targets were achieved. The breakdown of the indicators illustrated in graphs is as follows:

Key Performance Area 1: Sound Co-operative Governance and Administration:

KPA 1: Sound Co-Operative Governance And Adminstration

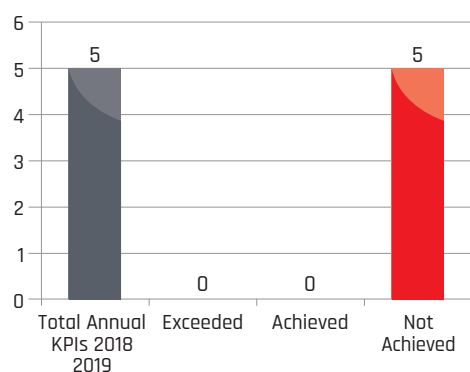


KPA 1: SOUND CORPORATIVE GOVERNANCE AND ADMINISTRATION	9	0	0	9	0
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Key Performance Area 2:

Reliable Quality Services and Stakeholder Focus:

KPA 2 : Reliable Quality Services And Stakeholder Focus

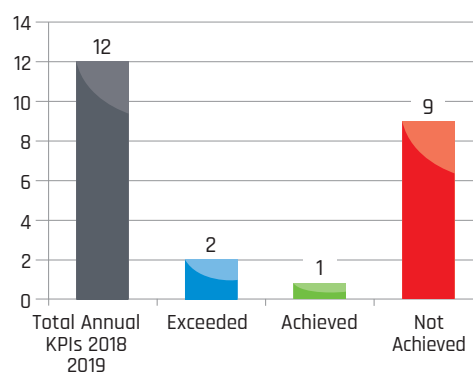


KPA 2: Reliable Quality Services and Stakeholder Focus	5	0	0	5
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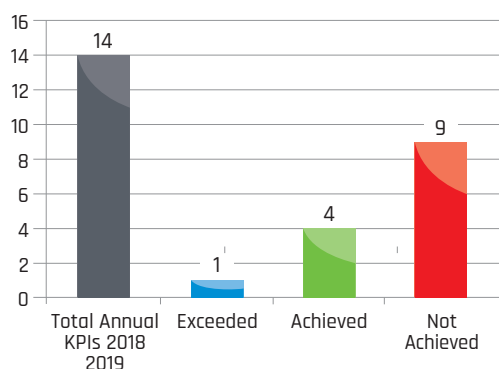
Key Performance Area 3:

Broaden Market Access and Supply:

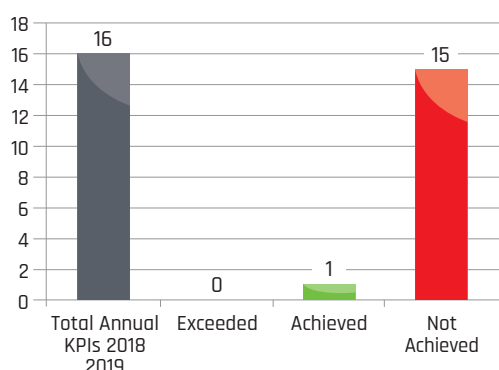
KPA 3 : Broaden Market Access And Supply



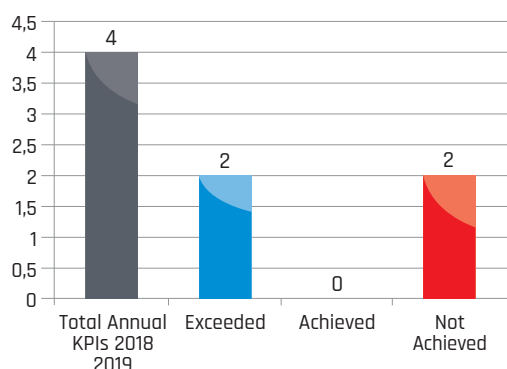
KPA 3: Broaden Market Access and Supply	12	2	1	9
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Key Performance Area 4: Financial Viability and Sustainability:**KPA 4 : Financial Viability And Sustainability**

KPA 4: Financial Viability and Sustainability	14	1	4	9
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Key Performance Area 5: Good Governance and Public Participation:**KPA 5: Good Governance And Public Participation**

KPA 5: Financial Viability and Sustainability	16	0	1	15
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Key Performance Area 6: Agrarian Socio-Economic Development:**KPA 6: Agrarian Socio-Economic Development**

KPA 6: Agrarian Socio-Economic Development	4	2	0	2
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For the 2018/2019-year end performance results and the final position of the municipal entity shows that:

- 18.33% of measures have been met or exceed the year-end target
- 81.66% of measures were not achieved at the end of this financial year.

The colour coded system used to report performance is as follows:

- Blue** - Performance above 2% of the target
- Green** - Performance meets the target
- Amber** - Missed target by up to 5%
- Red** - Missed target by more than 5%

The performance results for the organizational priorities can be summarized as follows:

COLOUR CODED STATUS	2018/2019 PERFORMANCE	2017/2018 PERFORMANCE
Blue - Exceeded target	8.33%	21.66%
Green - Met target	10%	31.66%
Amber - Missed target by up to 5%	5%	0%
Red - Missed Target by more than 5 %	76.66%	46.66%

7.1 SOUND CO-OPERATIVE GOVERNANCE AND ADMINISTRATION:

The achievement of this KPA was 0% which is a huge concern in comparison to the 2017/ 2018 financial year achievement of 22.22%. This KPA plays a critical role in the organisation as its key focus is to improve institutional systems and transform the organisation through organisational design. The lack of critical staff officials in key positions (Top Management) played a role in the non-achievement of the KPA.

7.2 RELIABLE QUALITY SERVICES AND STAKEHOLDER FOCUS:

The KPA 's performance dropped to 0% in comparison with the 2017/2018 financial year achievement of 60%. The entity experienced a shortage of produce from the farmers as well as cash flow challenges.

7.3 BROADEN MARKET ACCESS AND SUPPLY:

The overall score achieved for this KPA is 25% which is a decline of 50% in comparison with the 2017/2018 financial year achievement of 75%.

There were 22 new farmers who were accessing the services of the market which is an overachievement as the target was 20 new farmers. The number of small-scale farmers trained in production and marketing of produce far exceeded the targeted number of 20 farmers with the achievement of 80 farmers trained in the production and the marketing of their produce at the end of the financial year.

7.4 FINANCIAL VIABILITY AND SUSTAINABILITY:

The overall score for the KPA is 35.71 which is a 7.14% decline in comparison with the 42.85% achievement for the 2017/2018 financial year. The entity has experienced challenges in terms of revenue collections as well as debt collections in the current financial year. The timeous payment of creditors was a challenge as some of the documentation for the processing of payments were not submitted on time or were incomplete which then caused a delay in the processing of payments.

The total revenue collected from customers during the 2018/2019 financial year was R17 207 088,82, which is a R 5 298 318 decline in comparison to the 2017/2018 financial year revenue collection of R 22, 505 406.

7.5 GOOD GOVERNANCE AND PUBLIC PARTICIPATION:

The achievement for this KPA is 6.25% which is a 43.75% decline in comparison with the 50% achievement in the 2017/2018 financial year. One external funding was secured from RASET in the 2018/2019

financial year which will contribute to the implementation and support of small-scale farmers within the district.

7.6 AGRARIAN SOCIO-ECONOMIC DEVELOPMENT:

This KPA achieved 50% which is a 50% decline in comparison with the 100% achievement in the 2017/2018 financial year

There was commendable support for the co-operatives as 12 co-operatives were supported as well as the farming enterprises operated by the youth within the District.

NON ACHIEVEMENTS FOR THE 2018/2019 FINANCIAL YEAR

The organisation achieved 11 targets out of a total of 60 targets; which means that out of 60 targets 49 targets were not achieved.

The table below provides an analysis of targets which were not achieved inclusive of reasons for non-achievements and measure for improvement:

Key Performance Area 1: Sound Co-operative Governance and Administration: (9)

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Sound Corporate Governance and Administration	To improve institutional systems and organisational design		1.1.1 Date of the approval of the Organogram by the Board by 30 June 2019	30 June 2019	None	Corporate Services
Reasons for non-achievement: Resignation of Senior Management (CEO & CFO) and lack of capacity of remaining staff. Fresh Produce Market Board disbanded in 2018				Measures for improvement: The entity has since closed down		
STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Sound Corporate Governance and Administration	To improve institutional systems and organisational design		1.1.2. Date of the 2018/19 Work Place Skills Plan (WSP) developed and approved by the Board by 30 June 2019	30 June 2019	None	Corporate Services
Reasons for non-achievement: Non-existence of corporate services department and experienced HR officials. Fresh Produce Market Board disbanded in 2018				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Sound Corporate Governance and Administration	To improve institutional systems and organisational design		1.1.3 Number of Minimum Competency Requirements (MCR) developed after each quarter and submits to the parent Municipality.	4	None	Corporate Services
Reasons for non-achievement: Non-existence of corporate services department and experienced HR officials.				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Sound Corporate Governance and Administration	To provide innovative administrative, corporate memory and ICT		1.2.1 Number of policies reviewed and approved by the Board by 30 June 2019	7	None	Corporate Services
Reasons for non-achievement: Lack of capacity of Staff. The entity is under administration and implementing control measures Produce Market Board disbanded.				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Sound Corporate Governance and Administration	To provide innovative administrative, corporate memory and ICT		1.2.2 Number of new policies reviewed and approved by the Board by 30 June 2019	2	None	Corporate Services
Reasons for non-achievement: Lack of capacity of Staff. The entity is under administration and implementing control measures Produce Market Board disbanded				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Sound Corporate Governance and Administration	To provide innovative administrative, corporate memory and ICT		1.2.3 Date of the development of an outbound agrological system compliant with food safety requirements by 30 June 2019	30 June 2019	None	Corporate Services
Reasons for non-achievement: No Budget for training				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFPM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Sound Corporate Governance and Administration	To provide innovative administrative, corporate memory and ICT		1.2.4 Number of accredited training conducted on food safety and food handling for operations staff.	1	None	Corporate Services
Reasons for non-achievement: No Budget for training				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFPM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Sound Corporate Governance and Administration	To provide innovative administrative, corporate memory and ICT		1.2.5 Number of training or workshop conducted on OHS to all staff by 30 June 2019..	2	None	Corporate Services
Reasons for non-achievement: No Budget for training				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFPM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Sound Corporate Governance and Administration	To provide innovative administrative, corporate memory and ICT		1.2.6 Date for the registration of the KCFPM as an accredited food supply and food handling institution by 30 June 2019	30 June 2019	None	Corporate Services
Reasons for non-achievement: There is a sewer pipe that runs across the market hall where the produce is kept. Building is not complaint				Measures for improvement: The entity has since closed down		

Key Performance Area 2: Reliable Quality Services and Stakeholder Focus: (5)

STRATEGIC GOAL OF KCFPM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	To ensure efficient operations management		2.1.1 Number of Standard Operating Procedures Developed by 30 June 2019	3	None	Operations
Reasons for non-achievement: Limited staff capacity				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	To ensure efficient operations management		2.1.2 Percentage of supply and distribution of produce to clients in line with service level agreements (SLA)	90%	73.1%	Operations
Reasons for non-achievement: The only items not supplied as stated on the SLA are fruit. All vegetables are supplied to schools as per contract. During 3rd quarter the District farmers do not have demanded quantities. Vegetables are winter crops hence short delivery. Transporters strike also contributed to short deliveries.				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	To ensure food safety and improved quality of produce		2.2.1 Percentage of customer satisfaction by conducting customer satisfaction survey on produce quality	80%	None	Operations
Reasons for non-achievement: Shortage of produce from the farmers and cash flow challenges. Inability to provide fruits on weekly basis as the fruit purchase price is high				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	To ensure food safety and improved quality of produce		2.2.2 Percentage of customer satisfaction by conducting customer satisfaction survey on delivery time frames	70%	None	Operations
Reasons for non-achievement: Shortage of produce from the farmers and cash flow challenges. Inability to provide fruits on weekly basis as the fruit purchase price is high.				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	To ensure food safety and improved quality of produce		2.2.3 Number of reports submitted to the Operations Committee on the quality of produce (including condemned products)	4	None	Operations
Reasons for non-achievement: No reports have been required since there is no committee board.				The entity has since closed down		

Key Performance Area 3: Broaden Market Access and Supply: (9)

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	Increased demand for services offered by the Market		3.2.1 Number of engagement meetings held with potential clients	8	None	Operations
Reasons for non-achievement: The entity is under administration and implementing control measures				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	Increased demand for services offered by the Market		3.2.2 Number of engagement meetings held with farmers within local municipalities by 30 June 2019	4	None	Operations
Reasons for non-achievement: The entity is under administration and implementing control measures				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	Increased demand for services offered by the Market		3.2.3 Number of farmer/ producer databases developed in five local municipalities by 30 June 2019	20	None	Operations
Reasons for non-achievement: Lack of human resources capacity				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	Increased demand for services offered by the Market		3.2.4 Number of farmer/ producer profiled by 30 June 2019	20	3	Operations
Reasons for non-achievement: Not achieved due to financial constraints				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	To increase the number of farmers accessing the market and diversified product offering		3.3.3 Date of the approval of the agro-processing business plan by 31 December 2018	31 December 2018	None	Operations
Reasons for non-achievement: Not achieved due to financial constraints				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	To increase the number of farmers accessing the market and diversified product offering		3.3.4 Number of supply agreements concluded by 30 June 2019	30 June 2019	None	Operations
Reasons for non-achievement: No agreements signed				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	To increase the number of farmers accessing the market and diversified product offering		3.3.5 Number of report submitted on the feasibility study conducted on Commission Market within the Northern KZN	1	None	Operations
Reasons for non-achievement: Building non-compliance and inadequate supply from farmers on database. Not enough quantities.				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	To increase the number of farmers accessing the market and diversified product offering		3.3.6 Date of submission of the business plan for the nursery funding by 30 June 2019	30 June 2019	None	Operations
Reasons for non-achievement: Not achieved due to budgetary constraints				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Reliable Quality Services and Stakeholder Focus	To increase the number of farmers accessing the market and diversified product offering		3.4.1 Percentage of produce sourced from local farmers	60%	None	Operations
Reasons for non-achievement: Not achieved due to budgetary constraints				Measures for improvement: The entity has since closed down		

Key Performance Area 4: Financial Viability and Sustainability: (9)

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Financial Viability and Sustainability	Implement effective financial management controls and reporting systems policies and procedures		4.1.2 Date of submission of the Mid-Year Adjusted Budget and the Mid-Year Performance Assessment reports parent municipality by 20 January 2019	20 January 2019	31 January 2019	Finance Services
Reasons for non-achievement: The entity was under administration and faced human resources and financial challenges				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Financial Viability and Sustainability	Ensure efficient and effective budget management		4.2.2 Percentage of quarterly spending against approved 2018/2019 budget	100%	98%	Finance Services
Reasons for non-achievement: Entity did not employ senior management, therefore their budgeted salaries were not utilized.				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Financial Viability and Sustainability	Ensure efficient and effective budget management		4.2.3 Percentage of all internal audit queries responded to within five working days	100%	80%	Finance Services
Reasons for non-achievement: There was no system to manage received queries and submitted responses hence requests were responded to manually therefore cannot clearly determine the percentage of achievement.				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Financial Viability and Sustainability	To Obtain a clean audit 2016/2017		4.3 Unqualified Audit opinion	Unqualified Audit opinion	Disclaimer	Finance Services
Reasons for non-achievement: AG identified fraud indicators in the Audit report which led to a disclaimer opinion				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Financial Viability and Sustainability	To Obtain a clean audit 2017/2018		4.4.1 Percentage of produce procured from black owned businesses	80%	39%	Finance Services
Reasons for non-achievement: Due to there being no procurement plan in place the entity had to purchase its produce from well-established suppliers at high prices.				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Financial Viability and Sustainability	To implement an effective and efficient Supply Chain Management		4.4.2 Percentage reduction on WUIF expenditure by 5% of the annual budget by 30 June 2019	5%	0%	Finance Services
Reasons for non-achievement: Due to there being no procurement plan in place the entity had to purchase its produce from well-established suppliers at high prices.				Measures for improvement: The entity has since closed down		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Financial Viability and Sustainability	Ensure effective Revenue enhancement and Expenditure Management		4.5.1 Percentage of revenue collected by 30 June 2018	95%	88%	Finance Services
Reasons for non-achievement: Failure to collect PODs for produce delivered to schools. Shortage of produce and produce returned by schools due to poor quality. Transporters refusing to delivery produce due to none payments and threatened other transporters that the Entity have sourced.				Measures for improvement: Develop a strong operational standard operational procedure, detailing the process to adhere to when produce leaves the hubs to the schools and submitting of proof of delivery to the market. The entity has since closed down.		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Financial Viability and Sustainability	Ensure effective Revenue enhancement and Expenditure Management		4.6.2 Number of days for the payment of creditors	30 Days	120+ Days	Finance Services
Reasons for non-achievement: The entity was not invoicing Department of Education (DOE) on a monthly basis, this affected the cash flow of the entity, hence the creditors payments were affected and paid only after DOE has been invoiced and paid.				Measures for improvement: Develop a strong operational standard operational procedure, detailing the process to adhere to when produce leaves the hubs to the schools and submitting of proof of delivery to the market. The entity has since closed down.		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Financial Viability and Sustainability	Ensure effective Revenue enhancement and Expenditure Management		4.6.3 Number of days to collect debts	30 Days	Over 30 Days	Finance Services
Reasons for non-achievement: The entity would raise invoices on monthly basis, but will only invoice DOE after a month or more. This is due to inability to collect POD's from schools. Furthermore, when DOE is invoiced they do not pay within 30 days of receipts of invoices due to their lengthy processes. This was discussed with DOE management.				Measures for improvement: In addition to the monthly statements sent, the market would contact the Department of Education through calls and messages. The entity has since closed down.		

Key Performance Area 5: Good Governance and Public Participation: (15)

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To strengthen value adding collaborative partnerships and leveraging of public and private sector investment		5.1.1 Number of Strategic Engagements by 30 June 2019	1	None	Communication and Marketing
Reasons for non-achievement: The entity is under administration and implementing control measures				Measures for improvement: The entity has since closed down.		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To strengthen value adding collaborative partnerships and leveraging of public and private sector investment		5.1.2 Quarterly reports on existing strategic partnerships programmes implemented	4	None	Communication and Marketing
Reasons for non-achievement: The entity is under administration and implementing control measures.				Measures for improvement: The entity has since closed down.		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To improve corporate image and communication with all entity stakeholders		5.2 Date of the approval of the Communication and Marketing Strategy	30 June 2018	None	Communication and Marketing
Reasons for non-achievement: The entity is under administration and implementing control measures				Measures for improvement: The entity has since closed down.		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To strengthen corporate governance structures and responsibilities		5.3.1 100% Compliance with Companies Act	100%	0%	CEO
Reasons for non-achievement: Due to there being no Company Secretary, the entity has been challenged with issues of compliance with the Companies Act.				Measures for improvement: The entity has since closed down.		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To strengthen corporate governance structures and responsibilities		5.3.2 Date of Annual returns submission	30 September 2019	None	CEO
Reasons for non-achievement: Due to there being no Company Secretary, the entity has been challenged with issues of compliance with the Companies Act.				Measures for improvement: The entity has since closed down.		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To improve the Board's accountability and sustainable reporting		5.4.1 Number of Board Meetings held during the 2018 2019 financial year	4	0	CEO
Reasons for non-achievement: Board had been disbanded and the entity is under administration and implementing control measures				Measures for improvement: The entity has since closed down.		

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To improve the Board's accountability and sustainable reporting		5.4.2 Number of Board Committee Meetings held during the 2018/2019 financial year	4	0	CEO

Reasons for non-achievement:
Board had been disbanded and the entity is under administration and implementing control measures

Measures for improvement:
The entity has since closed down.

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To improve the Board's accountability and sustainable reporting		5.4.3 Percentage of Board resolutions implemented quarterly	100%	0%	CEO

Reasons for non-achievement:
Board had been disbanded and entity under administration.

Measures for improvement:
The entity has since closed down.

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To ensure full and effective oversight in all corporate affairs		5.5.1 Percentage of compliance on the submission of compliance reports to parent municipality and the Board	100%	None	CEO

Reasons for non-achievement:
Board had been disbanded and entity under administration.

Measures for improvement:
The entity has since closed down.

STRATEGIC GOAL OF KCFCM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To ensure full and effective oversight in all corporate affairs		5.5.2 Percentage achievement of the entity strategic goals and objectives	80%	0%	CEO

Reasons for non-achievement:
Board had been disbanded and entity under administration.

Measures for improvement:
The entity has since closed down.

STRATEGIC GOAL OF KCFPM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To monitor financial management controls and compliance with all applicable legislation and legislations and policies		5.6.1 Percentage of all audit conducted as per the approved 2018/2019 Audit Plan	70%	None	CEO
Reasons for non-achievement: Audit for Quarter's 1, 2 and 3 done together.				Measures for improvement: The entity has since closed down.		

STRATEGIC GOAL OF KCFPM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To improve monitoring of strategic and operational risks of the organisation		5.7.1 Date of the approval of the Risk Management Strategy	30 June 2019	None	CEO
Reasons for non-achievement: Lack of Capacity in the Management function within the entity.				Measures for improvement: The entity has since closed down.		

STRATEGIC GOAL OF KCFPM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To improve monitoring of strategic and operational risks of the organisation		5.7.2 Number of Risk Management Reviews conducted in 2018/2019 financial year	2	None	CEO
Reasons for non-achievement: Lack of Capacity in the Management function within the entity.				Measures for improvement: The entity has since closed down.		

Key Performance Area 5 – Agrarian Socio-Economic Development (2)

STRATEGIC GOAL OF KCFPM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Agrarian Socio-Economic Development	To alleviate poverty through creation of job opportunities		6.1 Number of job opportunities created in 2018 2019 financial year.	1392	18	CEO
Reasons for non-achievement: Budgetary Constraints and the entity is under administration and implementing control measures				Measures for improvement: The entity has since closed down.		

STRATEGIC GOAL OF KCFPM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Agrarian Socio-Economic Development	To create an inclusive environment for previously disadvantaged individuals through increased participation of Youth and Woman		6.2.2 Number of Women operated farming enterprises supported	8	5	CEO
Reasons for non-achievement: Budgetary Constraints and the entity is under administration and implementing control measures				Measures for improvement: The entity has since closed down.		

STRATEGIC GOAL OF KCFPM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To coordinate, manage and monitor corporate and individual performance		5.8.1 Number of performance agreements signed	3	None	CEO
Reasons for non-achievement: Strategy for Fresh Produce market not concluded.				Measures for improvement: The entity has since closed down.		

STRATEGIC GOAL OF KCFPM	OBJECTIVE	STRATEGY	PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT	RESPONSIBLE DEPARTMENT
Good Governance and Public Participation	To coordinate, manage and monitor corporate and individual performance		5.8.2 Number of quarterly reviews conducted per quarter	4	0	CEO
Reasons for non-achievement: The Performance Evaluation Committee did not sit due to there being no performance plans in place.				Measures for improvement: The entity has since closed down.		

The following table reflects the organisational performance targets and achievements as reflected in the Annual Performance Plan for the 2018/2019 Financial Year.

OPMS INDICATOR NO.	NATIONAL KPA	KING CETSHWAYO DEVELOPMENT GOALS	KING CETSHWAYO FRESH PRODUCE STRATEGIC GOALS	OBJECTIVES	STRATEGIES	PERFORMANCE INDICATOR	ANNUAL TARGET	TARGET QUARTER 1	ACTUAL QUARTER 1	QUARTER 1 AUDITORS COMMENTS	TARGET QUARTER 2	ACTUAL QUARTER 2	QUARTER 2 AUDITORS COMMENTS	
1.1.1	IMPLEMENTED COMMUNITY WORK PROGRAMME AND COOPERATIVES SUPPORT	MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	To improve institutional systems and organisational design		Date of the approval of the organogram by the Board by 30 June 2019	31-Mar-19	n/a	n/a	n/a	n/a	n/a	n/a	
1.1.2						Date of the 2018/19 Work Place Skills Plan (WSP) developed and approved by the Board by 30 June 2019	30-Jun-19							
1.1.3						Number of Minimum Competency Requirements (MCR) developed after each quarter and submit to the parent Municipality.	4	1			1			
1.2.1				To provide innovative administrative, corporate memory and ICT		Number of policies reviewed and approved by the Board by 30 June 2019	7	1			2			
1.2.2						Number of new policies approved by the Board by 30 June 2019	2							
1.2.3						Date of the development of an outbound agrological system compliant with food safety requirements by 30 June 2019	30-Jun-19		not met			not met		
1.2.4						Number of accredited training conducted on food safety and food handling for operations staff.	1		not met			not met		
1.2.5						Number of training or workshop conducted on OHS to all staff by 30 June 2019.	2		not met			not met		
1.2.6						Date for the registration of the KCFPM as a an accredited food supply and food handling institution by 30 June 2019	30-Jun-19		not met			not met		
2.1.1	BASIC SERVICE AND INFRASTRUCTURE DEVELOPMENT	BASIC SERVICE PROVISION	RELIABLE QUALITY SERVICES AND STAKEHOLDER FOCUS	Efficient operations management		Number of Standard Operating Procedures Developed by 30 June 2019	3		not met		1	not met		
2.1.2				Ensure food safety and improved quality of produce		Percentage of supply and distribution of produce to clients in line with service level agreements (SLA)	90%	90%	not met		90%	not met		
2.2.1						Percentage of customer satisfaction by conducting customer satisfaction survey on produce quality	80%		70%	The attached POEs are delivery notes, which does not support the achievement of the target	50%	70%	The attached POEs are delivery notes, which does not support the achievement of the target	

	TARGET QUARTER 3	ACTUAL QUARTER 3	QUARTER 3 AUDITORS COMMENTS	TARGET QUARTER 4	ACTUAL QUARTER 4	2018/2019 YEAR END ACTUAL	2018/2019 YEAR END RESULT	KPA	RESPONSIBLE DEPARTMENT	FINANCIAL IMPLICATION	REASONS FOR NON-ACHIEVEMENT	MEASURES FOR IMPROVEMENT	NEW AUDITORS COMMENT	NEW MANAGEMENT COMMENTS
	31-Mar-19				no evidence	Inconclusive	Not Met	SOUND CO-OPERATIVE GOVERNANCE AND ADMINISTRATION			No evidence or board minutes			No evidence, board minutes unavailable
				30-Jun-19	unmet	Inconclusive	Not Met	SOUND CO-OPERATIVE GOVERNANCE AND ADMINISTRATION			Board disbanded in 2018, no minutes/ evidence			
	1			1	no evidence	Inconclusive	Not Met	SOUND CO-OPERATIVE GOVERNANCE AND ADMINISTRATION			No evidence			
	2	2		2	2	Not Met	Not Met	SOUND CO-OPERATIVE GOVERNANCE AND ADMINISTRATION			Reviewing KCDM Fleet Policy. Still to be approved by CFO and Council. Finance SOPs established.			
				2	not met	Inconclusive	Not Met	SOUND CO-OPERATIVE GOVERNANCE AND ADMINISTRATION			Board disbanded in 2018			
		not met		30-Jun-19	not met	Inconclusive	Not Met	SOUND CO-OPERATIVE GOVERNANCE AND ADMINISTRATION			No budget or plan			
	1	not met			not met	Inconclusive	Not Met	SOUND CO-OPERATIVE GOVERNANCE AND ADMINISTRATION			Training done in 2017/18 by Department of Agriculture. However not accredited			
	1	not met		1	not met	Inconclusive	Not Met	SOUND CO-OPERATIVE GOVERNANCE AND ADMINISTRATION			Requested KCDM OHS to include KCFPM staff. KCDM responded that they will include KCFPM staff on next OHS training session.			
		not met		30-Jun-19	not met	Inconclusive	Not Met	SOUND CO-OPERATIVE GOVERNANCE AND ADMINISTRATION			Requisitions have been submitted to SCM awaiting budgetary approval			
	1	3		1	not met	Inconclusive	Not Met	RELIABLE QUALITY SERVICES AND STAKEHOLDER FOCUS			no evidence	SCM, Finance, Operations		
	90%	not met		90%	73.1%	Inconclusive	Not Met	RELIABLE QUALITY SERVICES AND STAKEHOLDER FOCUS			no evidence			
		50%	The attached POEs are delivery notes, which does not support the achievement of the target	80%	no evidence	Inconclusive	Not Met	RELIABLE QUALITY SERVICES AND STAKEHOLDER FOCUS			The attached POEs are delivery notes, which does not support the achievement of the target		All the comments on the PODs are about whether all goods were received or not, they do not talk of the satisfaction about quality of goods delivered. So this form of evidence can not be used to conclude if customers are happy or not. A separate questionnaire should be formulated to gather evidence of such nature and this has been regarded as information was not made available for inspection.	As per audit response

OPMS INDICATOR NO.	NATIONAL KPA	KING CETSHWAYO DEVELOPMENT GOALS	KING CETSHWAYO FRESH PRODUCE STRATEGIC GOALS	OBJECTIVES	STRATEGIES	PERFORMANCE INDICATOR	ANNUAL TARGET	TARGET QUARTER 1	ACTUAL QUARTER 1	QUARTER 1 AUDITORS COMMENTS	TARGET QUARTER 2	ACTUAL QUARTER 2	QUARTER 2 AUDITORS COMMENTS	
2.2.2						Percentage of customer satisfaction by conducting customer satisfaction survey on delivery time frames	70%		56%	The attached POEs are delivery notes, which does not support the achievement of the target	50%	56%	The attached POEs are delivery notes, which does not support the achievement of the target	
2.2.3						Number of reports submitted to the Operations Committee on the quality of produce (including condemned products)	4	1			1			
3.1	IMPLEMENTED COMMUNITY WORK PROGRAMME AND COOPERATIVES SUPPORT	LOCAL ECONOMIC DEVELOPMENT	BROADEN MARKET AND SUPPLY	Ensure food safety and improved quality of produce		Number of small-scale farmers and emerging producers trained in the production and marketing of produce by 30 June 2019	20	5	0	yes	5	0	yes	
3.2.1				Increased demand for services offered by the market		Number of engagement meetings held with potential clients by 30 June 2019	8	2	not met		2	not met		
3.2.2						Number of engagement meetings held with potential clients by 30 June 2019	4	1	0		1	0		
3.2.3						Number of farmer/producer database developed in five local municipalities by 30 June 2019	20	5	1	yes	5	1	yes	
3.2.4						Number of farmers/producers profiled by 30 June 2019	20	5	3	Through inspection of the attached POEs, only 2 farmers profiled not 3.	5	3	Through inspection of the attached POEs, only 1 farmer profiled not 3.	
3.3.1				Increased number of farmers accessing the market and diversified product offering		Percentage of new farmers accessing the services of the market by 30 June 2019	20	5	0	POE not attached	5	0	POE not attached	
3.3.2						Number of open day market weeks conducted by 30 June 2019	1		not met		1	not met		

	TARGET QUARTER 3	ACTUAL QUARTER 3	QUARTER 3 AUDITORS COMMENTS	TARGET QUARTER 4	ACTUAL QUARTER 4	2018/2019 YEAR END ACTUAL	2018/2019 YEAR END RESULT	KPA	RESPONSIBLE DEPARTMENT	FINANCIAL IMPLICATION	REASONS FOR NON-ACHIEVEMENT	MEASURES FOR IMPROVEMENT	NEW AUDITORS COMMENT	NEW MANAGEMENT COMMENTS
		50%	The attached POEs are delivery notes, which does not support the achievement of the target	70%	no evidence	Inconclusive	Not Met	RELIABLE QUALITY SERVICES AND STAKEHOLDER FOCUS	The attached POEs are delivery notes, which does not support the achievement of the target				All the comments on the PODs are about whether all goods were received or not, they do not talk of the satisfaction about delivery times of the produce. So this form of evidence can not be used to conclude if customers are happy or not. A separate questionnaire should be formulated to gather evidence of such nature. and this has been regarded as information was not made available for inspection.	As per audit response
	1	1		1	not met	Inconclusive	Not Met	RELIABLE QUALITY SERVICES AND STAKEHOLDER FOCUS			No reports have been required since there is no committee or board			No evidence
	5	80		5	0		Over achieved	BROADEN MARKET ACCESS AND SUPPLY					The list is alone is insufficient since there is no proof that people did attend the training. This will be regarded as information was not made available for inspection	Attendance registers attached
	2	not met		2	not met	Inconclusive	Not Met	BROADEN MARKET ACCESS AND SUPPLY						
	1	0		1	0	Inconclusive	Not Met	BROADEN MARKET ACCESS AND SUPPLY			POE sent via e-mail. Meeting held in July			
	5	1	yes	5	1	4	Not Met	BROADEN MARKET ACCESS AND SUPPLY			There is one database that has been created and updated since January 2018. It is divided into the 5 local municipalities. The target of 75 per quarter is confusing. This was sent with Q1-Q3 POE file			
	5	3	Through inspection of the attached POEs, only 2 farmers profiled not 3.	5	not met	5	Not Met	BROADEN MARKET ACCESS AND SUPPLY			Non payment of farmer invoices, no budget for fuel to carry out process			
	5	22		5	0	22	Over achieved	BROADEN MARKET ACCESS AND SUPPLY			22 farmers accessed the market as at Jan-May 2019			
		1					Met	BROADEN MARKET ACCESS AND SUPPLY			Budgetary constraints			

OPMS INDICATOR NO.	NATIONAL KPA	KING CETSHWAYO DEVELOPMENT GOALS	KING CETSHWAYO FRESH PRODUCE STRATEGIC GOALS	OBJECTIVES	STRATEGIES	PERFORMANCE INDICATOR	ANNUAL TARGET	TARGET QUARTER 1	ACTUAL QUARTER 1	QUARTER 1 AUDITORS COMMENTS	TARGET QUARTER 2	ACTUAL QUARTER 2	QUARTER 2 AUDITORS COMMENTS	
3.3.3						Date of the approval of the agro-processing business plan by 31 December 2019	31-dec-19		not met		31-dec-19	not me		
3.3.4						Number of supply agreements concluded by 30 June 2019	1		not met			not met		
3.3.5						Number of report submitted on the feasibility study conducted on Commission Market within the Northern KZN	1		not met			not met		
3.3.6						Date of submission of the business plan for the nursery funding by 30 June 2019	31-Mar-19		not met			not met		
3.4.1				Efficient sourcing of produce directly from farmers		Percentage of produce sourced from local farmers	60%	60%	56%		60%	56%		
4.1.1	IMPROVED FINANCIAL AND ADMINISTRATION CAPACITY MUNICIPAL FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	Municipal Financial Viability and Management	FINANCIAL VIABILITY AND SUSTAINABILITY	Implement effective financial management controls and reporting systems, policies and procedures.		Number of financial reports submitted to parent municipality	4	1	3	Inspected the POE and confirmed that 3 financial reports were submitted for July, August and September 2018. The target is over achieved	1	3	Inspected the POE and confirmed that 3 financial reports were submitted for October, November and December 2018. The target is over achieved	
4.1.2						Date of submission of the Mid-Year Adjusted Budget and the Mid-Year Performance Assessment reports parent municipality by 20 January 2019	20-Jan-19							
4.1.3						Date of submission of the 2017/2018 Annual Financial Statements to parent municipality and Auditor-General by 31 August 2018	31-Aug-18	31-Aug-18	31-Aug-18					
4.1.4						Date of submission of the 2017/2018 Annual Report to parent municipality by 31 December 2018	31-Aug-18				31-Dec-18	'Annual Report submitted. 18 January 2019 to PR Council 24 January 2019		
4.2.1				Ensure efficient and effective budget management		Date of approval of the 2019/2020 Budget by the Board	31-May-19							
4.2.2						Percentage of quarterly spending against approved 2018/2019 budget	100%	15%	19%		15%	32%		

	TARGET QUARTER 3	ACTUAL QUARTER 3	QUARTER 3 AUDITORS COMMENTS	TARGET QUARTER 4	ACTUAL QUARTER 4	2018/2019 YEAR END ACTUAL	2018/2019 YEAR END RESULT	KPA	RESPONSIBLE DEPARTMENT	FINANCIAL IMPLICATION	REASONS FOR NON-ACHIEVEMENT	MEASURES FOR IMPROVEMENT	NEW AUDITORS COMMENT	NEW MANAGEMENT COMMENTS
		not met			not met	not met	Not Met	BROADEN MARKET ACCESS AND SUPPLY			Board removed this item based on building non-compliance as well as current funding unavailability.			
		not met		1	not met	Inconclusive	Not Met	BROADEN MARKET ACCESS AND SUPPLY			No agreements signed with suppliers			
		not met		1	not met	Inconclusive	Not Met	BROADEN MARKET ACCESS AND SUPPLY			Building non-compliance and inadequate supply from farmers on database. Not enough quantities			
	31-Mar-19	not met			not met	Not Met	Not Met	BROADEN MARKET ACCESS AND SUPPLY			No budget			
	60%	56%		60%	56%	56%	Not Met	BROADEN MARKET ACCESS AND SUPPL						
	1	3	Inspected the POE and confirmed that 3 financial reports were submitted for January, February and March 2019. The target is over achieved	1	3	12	Over achieved	FINANCIAL VIABILITY AND SUSTAINABILITY						
	20-Jan-19	31-Jan-19			n/a	Not Met	Not Met	FINANCIAL VIABILITY AND SUSTAINABILITY			Target is for 2nd quarter and was responded to			
				1		Met	Met	FINANCIAL VIABILITY AND SUSTAINABILITY	Finance					
		1				Met	Met	FINANCIAL VIABILITY AND SUSTAINABILITY						
				30-May-19	24-May-19	Met	Met	FINANCIAL VIABILITY AND SUSTAINABILITY	Finance					
	70%	74%		100%	98%	Not Met	Not Met	FINANCIAL VIABILITY AND SUSTAINABILITY	Finance		Entity did not employ senior management, therefore their budgeted salaries were not utilized.			Entity did not have senior management and was budgeted, however there was little expenditure for the reporting period.

OPMS INDICATOR NO.		NATIONAL KPA	KING CETSHWAYO DEVELOPMENT GOALS	KING CETSHWAYO FRESH PRODUCE STRATEGIC GOALS	OBJECTIVES	STRATEGIES	PERFORMANCE INDICATOR	ANNUAL TARGET	TARGET QUARTER 1	ACTUAL QUARTER 1	QUARTER 1 AUDITORS COMMENTS	TARGET QUARTER 2	ACTUAL QUARTER 2	QUARTER 2 AUDITORS COMMENTS	
4.2.3							Percentage of all internal audit queries responded to within five working days	100%	100%	Audit not done		100%	Audit not done		
4.3					To Obtain a clean audit 2017/2016	Receipt of clean audit	Unqualified Audit opinion	Unqualified Opinion				Unqualified Opinion	Disclaimer		
4.4.1					Implement an effective and efficient Supply Chain Management		Percentage of produce procured from black owned businesses	80%	20%		34%	40%		39%	
4.4.2							Percentage reduction on WUIF expenditure by 5% by 30 June 2019	5%	5%	0%		5%	0%		
4.5					Ensure efficient control of all Entity assets including revenue.		100% GRAP Compliance on all assets of the entity	100%	100%			100%			
4.6.1					Ensure effective Revenue enhancement and Expenditure Management		Percentage of revenue collected by 30 June 2019w	95%	95%	67%	yes	95%	67%	yes	
4.6.2							Number of days for the payment of creditors	30 days	30 days	Over 120 days		30 days	Over 120 days		
4.6.3							Number of days to collect debts	30 days	30 days	not met	yes	30 days	not met	yes	

	TARGET QUARTER 3	ACTUAL QUARTER 3	QUARTER 3 AUDITORS COMMENTS	TARGET QUARTER 4	ACTUAL QUARTER 4	2018/2019 YEAR END ACTUAL	2018/2019 YEAR END RESULT	KPA	RESPONSIBLE DEPARTMENT	FINANCIAL IMPLICATION	REASONS FOR NON-ACHIEVEMENT	MEASURES FOR IMPROVEMENT	NEW AUDITORS COMMENT	NEW MANAGEMENT COMMENTS
	100%	not met		100%		Inconclusive	Not Met	FINANCIAL VIABILITY AND SUSTAINABILITY	Finance	none				
							Not Met	FINANCIAL VIABILITY AND SUSTAINABILITY	Finance					
	60%	n/a		80%		Inconclusive	Not Met	FINANCIAL VIABILITY AND SUSTAINABILITY	Finance					
	5%	0%		5%	not met	Inconclusive	Not Met	FINANCIAL VIABILITY AND SUSTAINABILITY	Finance					
	100%			100%	met	met	Met	FINANCIAL VIABILITY AND SUSTAINABILITY						Assets of the entity are recognised at cost or fair value and are recorded at cost. The assets are also depreciated over their estimated useful life. Where there is no future benefit for an asset, it is disposed off.
	95%	75%	yes	95%	81,00%	Not Met	Not Met	FINANCIAL VIABILITY AND SUSTAINABILITY	Finance	Financial instability	Failure to collect PODs for produce delivered to schools. Shortage of produce and produce returned by schools due to poor quality. Transporters refusing to deliver produce due to none payments and threatened other transporters that the Entity have sourced.	Develop strong operational standard operating procedure, detailing the process to adhere to when produce leaves the hubs to schools and submitting of PODs to the market.		Due to lack of experienced and capacity of staff, the entity has suffered a huge financial loss, where staff was unable to account for produce supplied to schools through POD's as well as external challenges where transporters were not submitting POD's timely and principals not available to authorize the receipts of produce.
	30 days	Over 120 days		30 days	Over 120 days	Not Met	Not Met	FINANCIAL VIABILITY AND SUSTAINABILITY	Finance	Creditors charging interest and penalties as well as resulting to legal action against the Entity	The entity was not invoicing DOE on a monthly basis, this affected the cash flow of the entity, hence the creditors payments were affected and paid only after DOE has been invoiced and paid.	Develop strong operational standard operating procedure, detailing the process to adhere to when produce leaves the hubs to schools and submitting of PODs to the market		Entity had cashflow difficulties where there was no money in the bank to pay creditors. In some instances the funds received for the current period were used to pay prior years outstanding invoices.
	30 days	not met	yes	30 days	Over 30 days	Not Met	Not Met	FINANCIAL VIABILITY AND SUSTAINABILITY	Finance	Financial instability	The entity would raise invoices on monthly basis, but will only invoice DOE after a month or more. This is due to inability to collect POD's from schools. Furthermore when DOE is invoiced they do not pay within 30 days of receipts of invoices due to their lengthy processes. This has been discussed with their management.	From time to time DOE will be contacted through phone calls and smses over and above monthly statement		Due to inability to collect POD's the entity was raising the invoices on monthly basis but was not invoicing timely. Furthermore DOE was not paying for the invoices on time.

	TARGET QUARTER 3	ACTUAL QUARTER 3	QUARTER 3 AUDITORS COMMENTS	TARGET QUARTER 4	ACTUAL QUARTER 4	2018/2019 YEAR END ACTUAL	2018/2019 YEAR END RESULT	KPA	RESPONSIBLE DEPARTMENT	FINANCIAL IMPLICATION	REASONS FOR NON-ACHIEVEMENT	MEASURES FOR IMPROVEMENT	NEW AUDITORS COMMENT	NEW MANAGEMENT COMMENTS
		not met	yes	1	not met	Not Met	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION			Entity under administration and implementing control measures.		No new agreements signed by 30 June 2019, that was signed by 30 June 2018. If the target wanted active agreement by 30 June 2019, we would consider this one. No agreement obtained in current financial year. This will be regarded as information was not obtained	unmet
	1	not met		1	not met	Not Met	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION		0	Entity under administration and implementing control measures			
		not met	Through inspection of the attached POE 1 funding was secured in 3rd quarter (12/03/2019) from RASET	1	As per Q3 report. Funding available in May though submitted POE for Q3	1	Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION			Entity under administration and implementing control measures.			
		not met		30-Jun-19	not met	Not Met	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION			Entity under administration and implementing control measures.			
	100%			100%	Not reported	Inconclusive	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION						
						Not reported	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION						
	1	0		1	not met	Not Met	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION			Board had been disbanded and entity under administration.		No email received. This has been regarded as information was not provided	unmet
	1	0		1	not met	Not Met	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION			Board had been disbanded and entity under administration			
	100%			100%	not met	Not Met	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION						
	100%			100%	Not reported	Not Met	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION						
	80%	??		80%	Not reported	Inconclusive	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION			Strategic plan set in Jan 2018 however no board meeting sat to approve.			Strat plan document attached, no follow up plan.

OPMS INDICATOR NO.	NATIONAL KPA	KING CETSHWAYO DEVELOPMENT GOALS	KING CETSHWAYO FRESH PRODUCE STRATEGIC GOALS	OBJECTIVES	STRATEGIES	PERFORMANCE INDICATOR	ANNUAL TARGET	TARGET QUARTER 1	ACTUAL QUARTER 1	QUARTER 1 AUDITORS COMMENTS	TARGET QUARTER 2	ACTUAL QUARTER 2	QUARTER 2 AUDITORS COMMENTS	
5.6.1	GOOD GOVERNANCE AND PUBLIC PARTICIPATION	GOOD GOVERNANCE AND PUBLIC PARTICIPATION	GOOD GOVERNANCE AND PUBLIC PARTICIPATION	To monitor financial management controls and compliance with all applicable legislation and legislations and policies		Percentage of all audit conducted as per the approved 2018/2019 Audit Plan	70%	70%			70%			
5.7.1				To improve monitoring of strategic and operational risks of the organisation		Date of the approval of the Risk Management Strategy	30-Jun-19							
5.7.2						Number of Risk Management Reviews conducted in 2018/2019 financial year	2				1			
5.8.1				To coordinate, manage and monitor corporate and individual performance		Number of performance agreements signed	3	3	not met			not met		
5.8.2						Number of quarterly reviews conducted per quarter	4	1	not met		1	not met		
6.1	IMPLEMENTED COMMUNITY PROGRAMME AND COOPERATIVES SUPPORT	CROSS CUTTING	HUMAN RESOURCES DEVELOPMENT	To alleviate poverty through creation of job opportunities		Number of job opportunities created in 2018/2019 financial year	1392	348	0	0	696	0	insufficient evidence	
6.2.1				To create an inclusive environment for previously disadvantaged individuals through increased participation of Youth and Woman		Number of Youth operated farming enterprises supported	8	2	0		2	0		
6.2.2						Number of Woman operated farming enterprises supported	8	2	0		2	0		
6.3				To ensure support to agricultural cooperatives and broaden participation		Number of cooperatives supported	4	1	0		1	0		

	TARGET QUARTER 3	ACTUAL QUARTER 3	QUARTER 3 AUDITORS COMMENTS	TARGET QUARTER 4	ACTUAL QUARTER 4	2018/2019 YEAR END ACTUAL	2018/2019 YEAR END RESULT	KPA	RESPONSIBLE DEPARTMENT	FINANCIAL IMPLICATION	REASONS FOR NON-ACHIEVEMENT	MEASURES FOR IMPROVEMENT	NEW AUDITORS COMMENT	NEW MANAGEMENT COMMENTS
	70%			70%	Not reported	Inconclusive	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION						
				30-Jun-19	not met	Not Met	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION			Process only done in Q3, thus reporting only in Q3		No minutes were given to us This will be regarded as no information was provided	No clear date. Minutes attached on e-mail
				1	not met	Not Met	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION			Process only done in Q3, thus reporting only in Q3		No minutes were given to us This will be regarded as no information was provided	Minutes attached, updated risk register still with PMU KCDM
		not met			not met	Not Met	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION			No PMs, no agreements, no reviews			
	1	not met		1	not met	Not Met	Not Met	GOOD GOVERNANCE AND PUBLIC PARTICIPATION			No PMs, no agreements, no reviews			
	1044	18		1392	0	18	Not Met	AGRARIAN SOCIO-ECONOMIC DEVELOPMENT					Transporters are business people, so that was business opportunity not a job opportunity. And the OPMS should be amended to Q1: 0 Q2: 0 Q3: 18	As per audit response
	2	12	As per the attached POE, 12 farmers were supported	2	0	12	Over achieved	AGRARIAN SOCIO-ECONOMIC DEVELOPMENT						
	2	5		2	0	5	Not Met	AGRARIAN SOCIO-ECONOMIC DEVELOPMENT						
	1	12		1	0	12	Over achieved	AGRARIAN SOCIO-ECONOMIC DEVELOPMENT						



06 CHAPTER AUDITOR GENERAL AUDIT FINDINGS



KING CETSHWAYO

DISTRICT MUNICIPALITY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (water, sanitation, waste management, cemetery and Fresh Produce Market) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the group and municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1996) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Division of Revenue Act (Act 1 of 2007) Companies Act
Accounting Officer	MTB Ndlovu
Registered office	King Cetshwayo District Municipality Krugerrand, CBD RICHARDS BAY 3900
Business address	King Cetshwayo District Municipality Krugerrand, CBD RICHARDS BAY 3900
Postal address	Private Bag X1025 RICHARDS BAY 3900
Bankers	Nedbank Limited
Auditors	Auditor-General of South Africa
Senior Legal Advisor	G Dlamini
Municipal demarcation code	DC 28

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ABBREVIATIONS

MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
GRAP	Generally recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
IAS	International Accounting Standards
EQS	Equitable Share
WSIG	Water Services Infrastructure Grant
RBIG	Regional Bulk Infrastructure Grant
RUL	Remaining useful lives
MIG	Municipal Infrastructure Grant
EPWP	Expanded Public Works Programme
RRAMS	Rural Roads Asset Management Systems
MPAC	Municipal Public Accounts Committee
FMG	Finance Management Grant
LGSETA	Local Government Sector Education Training Authority
SARS	South African Revenue Services
VAT	Value Added Tax Act (Act No. 89 of 1991)
DWS	Department of Water Affairs and Sanitation
COGTA	Cooperative Governance and Traditional Affairs
MSCOA	Municipal Standard Chart of Accounts

STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY

I am responsible for the preparation of these consolidated annual financial statements, which are set out on **pages 167 to 251**, in terms of Section 126(1) of the Municipal Finance Management Act (Act no. 56 of 2003) and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (Act no. 20 of 1998) and the Minister of Provincial and Local Government determination in accordance with this Act.

The King Cetshwayo District Municipality, situated in the central business district, Richards Bay, is a category C municipality established in terms of Section 12(1) of the Municipal Structures Act, 1998 (Act No. 117 of 1998).

As required by Section 45 of the Municipal Systems Act and Section 121(4)(a) and (b) of the Municipal Finance Management Act, the consolidated annual financial statements were submitted to the Auditor General South Africa

Signature

MTB Ndlovu

Accounting Officer

Richards Bay

Monday, 30 September 2019

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON KING CETSHWAYO DISTRICT MUNICIPALITY AND ITS MUNICIPAL ENTITIES

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the consolidated and separate financial statements of the King Cetshwayo District Municipality and its municipal entities (the group) set out on **pages 167 to 251** which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the group as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

BASIS FOR OPINION

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and, parts 1 and 3 of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

EMPHASIS OF MATTERS

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material impairment - Receivables from exchange transactions

7. As disclosed in note 3 to the consolidated and separate financial statements, receivables from exchange transactions was impaired by R40,22 million (2017-18: R34,64 million) as a result of the annual review of the recoverability of the debt.

Material impairment - Property plant and equipment

8. As disclosed in note 8 to the consolidated and separate financial statements, buildings included within property plant and equipment were impaired by R9,73 million (2017-18: R0) resulting from the re-assessment of the realisable value of a building at year-end.

OTHER MATTER

9. I draw attention to the matter below.

Unaudited disclosure notes

10. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the consolidated and separate financial statements. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and, accordingly, I do not express an opinion on it.

RESPONSIBILITIES OF THE ACCOUNTING OFFICER FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

11. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the consolidated and separate financial statements, the accounting officer is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

13. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
14. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

15. In accordance with the Public Audit Act of South Africa, 2004 (Act no. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for the selected key performance area presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.



REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT *...continued*

INTRODUCTION AND SCOPE *...continued*

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the basic service delivery and infrastructure key performance area presented in the annual performance report of the municipality for the year ended 30 June 2019.
18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. I did not raise any material findings on the usefulness and reliability of the reported performance information for the basic service delivery and infrastructure key performance area.

OTHER MATTER

20. I draw attention to the matter below.

Achievement of planned targets

21. The annual performance report on **pages 94 to 105** includes information on the achievement of planned targets for the year.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
23. The material finding on compliance with specific matters in key legislation is as follows:

Strategic planning and performance management

24. Annual performance objectives and indicators were not established for the King Cetshwayo Fresh Produce Market and included in the King Cetshwayo District Municipality's multi-year business plan, as required by section 93B(a) of the Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000).

OTHER INFORMATION

25. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected key performance area presented in the annual performance report that has been specifically reported in this auditor's report.
26. My opinion on the consolidated and separate financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

OTHER INFORMATION ...continued

27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
28. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

29. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiency that resulted in the finding on compliance with legislation included in this report.
30. Leadership did not respond in a timely manner to exercise adequate oversight over the municipal entity's compliance with key legislation.

Auditor-General

Pietermaritzburg
30 January 2020



ANNEXURE - AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for the selected key performance area and on the municipality's compliance with respect to the selected subject matters.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the King Cetshwayo District Municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
 - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	Group		Municipality	
		2019 R	2018 R Restated	2019 R	2018 R Restated
ASSETS					
Current Assets					
Inventories	2	5 843 562	5 993 168	5 843 562	5 993 168
Receivables from exchange transactions - consumer debtors	3	48 105 067	41 714 257	39 447 515	37 265 291
Receivables from exchange transactions - VAT	4	48 197 684	59 836 311	47 347 498	59 232 227
Receivables from non exchange transactions	5	16 635 507	18 946 088	16 635 507	18 946 088
Current portion of long-term receivables	6	53 188	47 772	53 188	47 772
Cash and cash equivalents	7	496 397 087	500 819 838	495 583 295	498 282 726
		615 232 095	627 357 434	604 910 565	619 767 272
Non-Current Assets					
Property, plant and equipment	8	2 408 800 871	2 296 109 048	2 402 997 559	2 279 856 533
Intangible assets	9	4 145 304	4 449 317	3 907 600	4 188 271
Heritage assets	10	700 000	700 000	700 000	700 000
Investments in municipal entities	11			726 877	688 134
Investments in financial assets - shares	12	88 789	79 600	88 789	79 600
Long-term receivables	6	116 181	172 941	116 181	172 941
		2 413 851 145	2 301 510 906	2 408 537 006	2 285 685 479
Total Assets		3 029 083 240	2 928 868 340	3 013 447 571	2 905 452 751
LIABILITIES					
Current Liabilities					
Current portion of long-term liabilities	13	6 669 522	5 928 341	6 669 522	5 928 341
Payables from exchange transactions	14	241 047 674	266 887 118	235 175 358	256 888 395
Consumer deposits	15	10 058 400	10 011 629	10 058 400	10 011 629
Defined employee benefit obligations	16	1 166 000	938 000	1 166 000	938 000
Provisions	17	1 591 182	738 079	1 591 182	738 079
Unspent transfers and subsidies	22	92 895 169	2 940 553	92 895 169	2 940 553
		353 427 947	287 443 720	347 555 631	277 444 997
Non-Current Liabilities					
Long term liabilities	13	31 863 792	38 533 314	31 863 792	38 533 314
Defined employee benefit obligations	16	35 465 876	31 470 000	35 465 876	31 470 000
Provisions	17	75 155 263	73 569 215	75 155 263	73 569 215
		142 484 931	143 572 529	142 484 931	143 572 529
Total Liabilities		495 912 878	431 016 249	490 040 562	421 017 526
Total Assets		3 029 083 240	2 928 868 340	3 013 447 571	2 905 452 751
Total Liabilities		(495 912 878)	(431 016 249)	(490 040 562)	(421 017 526)
Net Assets		2 533 170 362	2 497 852 091	2 523 407 007	2 484 435 225
Accumulated Surplus		2 533 170 362	2 497 852 091	2 523 407 007	2 484 435 225
Outside Partner's Interest		-	-	-	-
		2 533 170 362	2 497 852 091	2 523 407 007	2 484 435 225

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Group		Municipality	
		2019 R	2018 R Restated	2019 R	2018 R Restated
REVENUE					
Revenue from exchange transactions					
Service charges	18	87 183 142	77 590 709	87 183 142	77 590 709
Rental income	19	56 506	53 198	56 506	500 172
Interest received	20	41 007 071	46 685 457	40 968 328	46 638 976
Sale of fresh produce	23	18 118 306	22 386 694		
Other income	24	2 239 135	3 210 798	2 239 135	3 210 798
Gain on disposal of property, plant and equipment		265 883	-	265 883	-
Total revenue from exchange transactions		148 870 043	149 926 856	130 712 994	127 940 655
Revenue from non exchange transactions					
Transfers and subsidies	21	775 078 089	808 172 473	775 078 089	808 172 473
Public contributions and donations	8	-	6 928 779	-	6 928 779
Total revenue		923 948 132	965 028 108	905 791 083	943 041 907
Expenditure					
Employee related costs	25	228 686 155	195 513 072	225 009 660	190 182 188
Remuneration of councillors	26	11 679 483	11 778 097	11 679 483	11 778 097
Remuneration of board of directors	27	185 316	434 840		
Depreciation, amortisation and impairment	28	85 270 376	70 387 047	74 750 880	69 771 012
Finance costs	29	5 322 141	5 990 347	5 322 141	6 432 319
Debt impairment	5	8 753 607	5 317 989	8 753 607	5 317 989
Bulk purchases	30	39 200 886	47 254 675	39 200 886	47 254 675
Contracted services	31	362 301 227	379 613 185	361 123 625	378 319 560
Transfers and subsidies	32	5 355 000	5 119 719	19 355 000	11 519 719
Operational costs	33	123 149 322	113 961 915	121 671 950	112 299 803
Lease rentals	34	193 026	243 876		
Purchasing of produce and distribution cost	35	18 495 973	22 576 087		
Loss on disposal of property, plant and equipment		46 540	1 081 313	-	1 081 313
Total expenditure		888 639 052	859 272 162	866 867 232	833 956 675
Operating surplus		35 309 080	105 755 946	38 923 851	109 085 232
Fair value adjustments in investments	12	9 190	5 987	47 933	42 952
Outside partner's interest		-	(4 515)		
Surplus for the year		35 318 270	105 757 418	38 971 784	109 128 184

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2019

	Accumulated surplus R	Outside Partners Interest R	Total R
Group			
Balance as at 30 June 2017	2 391 762 966	55 334	2 391 818 300
Prior year adjustments - refer note 44	331 710		331 710
Balance as at 30 June 2017 restated	2 392 094 676	55 334	2 392 150 010
			-
Surplus for the year restated	105 757 418	4 515	105 761 933
Distribution by partnership		(59 849)	(59 849)
Balance as at 30 June 2018 restated	2 497 852 091	-	2 497 852 091
Surplus for the year	35 318 270	-	35 318 270
Balance as at 30 June 2019	2 533 170 362	-	2 533 170 362
Municipality			
Previously reported balance as at 1 July 2017	2 373 561 553		2 373 561 553
Adjustment for prior year depreciation on assets still in use - refer to note 44	2 081 650		2 081 650
Adjustment for prior year depreciation on transferred assets - refer to note 44	(336 165)		(336 165)
Balance at 1 July 2017 restated	2 375 307 041		2 375 307 041
Surplus for the year restated	109 128 184		109 128 184
Balance at 30 June 2018 restated	2 484 435 225		2 484 435 225
Surplus for the year	38 971 784		38 971 784
Balance at 30 June 2019	2 523 407 007		2 523 407 007

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Group		Municipality	
		2019 R	2018 R Restated	2019 R	2018 R Restated
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
Receipts from consumers and other		93 468 336	117 061 007	79 556 614	93 033 527
Transfers and subsidies		866 329 625	792 855 855	866 329 625	792 855 855
Interest income		41 007 071	46 685 457	40 968 328	46 638 976
		1 000 805 032	956 602 319	986 854 567	932 528 358
Payments					
Employee costs	25, 26 & 27	(239 957 821)	(208 012 756)	(236 689 143)	(201 960 285)
Suppliers		(561 254 154)	(539 662 731)	(532 542 538)	(519 189 645)
Finance costs		(5 322 141)	(5 990 347)	(5 322 141)	(6 432 319)
Distribution to outside partner		-	(4 515)		
Transfers and subsidies		(2 955 000)	(7 519 719)	(19 355 000)	(11 519 719)
		(809 489 116)	(761 190 068)	(793 908 822)	(739 101 968)
Net cash flows from operating activities	36	191 315 916	195 412 251	192 945 745	193 426 390
Cash flows from investing activities					
Payment for property, plant and equipment		(190 718 268)	(193 769 301)	(190 718 268)	(193 669 551)
Purchase of intangible assets		(93 491)	-	-	-
Insurance proceeds and proceeds from the sale of property, plant and equipment		950 089	251 910	950 089	251 910
Decrease in non-current/current receivables		51 344	43 794	51 344	43 794
Distribution of capital received from municipal entities				-	5 478 228
Attributable to outside partner - capital distribution		-	(55 333)		
Net cash flow from investing activities		(189 810 326)	(193 528 930)	(189 716 835)	(187 895 619)
Cash flows from financing activities					
Repayment of long-term liabilities	13	(5 928 341)	(5 260 134)	(5 928 341)	(10 605 497)
Net cash from financing activities		(5 928 341)	(5 260 134)	(5 928 341)	(10 605 497)
Net (decrease) / increase in cash and cash equivalents		(4 422 751)	(3 376 813)	(2 699 431)	(5 074 726)
Cash and cash equivalents at the beginning of the year		500 819 838	504 196 651	498 282 726	503 357 452
Cash and cash equivalents at the end of the year	7	496 397 087	500 819 838	495 583 295	498 282 726

STATEMENT OF COMPARISON OF MUNICIPAL AND TRADING ENTITY BUDGET AND GROUP ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note reference
Budget on Accrual Basis	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	86 260 130	(2 877 146)	83 382 984	87 183 142	3 800 158	
Rental income	-	-	-	56 506	56 506	
Interest received	44 307 855	(4 800 000)	39 507 855	41 007 071	1 499 216	
Sale of fresh produce	31 948 000	(9 856 000)	22 092 000	18 118 306	(3 973 694)	45.1
Other income	1 510 313	2 918 030	4 428 343	2 239 135	(2 189 208)	45.2
Gain on disposal of property, plant and equipment	-	-	-	265 883	265 883	
Total revenue from exchange transactions	164 026 298	(14 615 116)	149 411 182	148 870 043	(541 139)	
Revenue from non-exchange transactions						
Transfers and subsidies	849 332 000	20 240 552	869 572 552	775 078 089	(94 494 463)	45.3
Total revenue	1 013 358 298	5 625 436	1 018 983 734	923 948 132	(95 035 602)	
Expenditure						
Employee related costs	(254 523 808)	17 929 251	(236 594 557)	(228 686 155)	7 908 402	
Remuneration of councillors	(12 870 278)	854 610	(12 015 668)	(11 679 483)	336 185	
Remuneration of board of directors	-	(211 205)	(211 205)	(185 316)	25 889	
Depreciation, amortisation and impairment	(93 157 940)		(93 157 940)	(85 270 376)	7 887 564	45.4
Finance costs	(5 322 141)	-	(5 322 141)	(5 322 141)	-	
Debt impairment	(2 827 790)	(6 000 000)	(8 827 790)	(8 753 607)	74 183	
Bulk purchases	(28 534 000)	(10 850 749)	(39 384 749)	(39 200 886)	183 863	
Contracted services	(288 473 560)	(58 459 355)	(346 932 915)	(362 301 227)	(15 368 312)	
Transfers and subsidies	(2 910 000)	(2 445 000)	(5 355 000)	(5 355 000)	-	
Operational costs	(130 130 716)	2 406 073	(127 724 643)	(123 149 322)	4 575 321	
Lease rentals	(305 000)	111 974	(193 026)	(193 026)	-	
Purchasing of produce and distribution cost	(17 378 000)	4 275 491	(13 102 509)	(18 495 973)	(5 393 464)	45.5
Total expenditure	(836 433 233)	(52 388 910)	(888 822 143)	(888 592 512)	229 631	
Operating surplus/(loss)	176 925 065	(46 763 474)	130 161 591	35 355 620	(94 805 971)	
Loss on disposal of property, plant and equipment	-	-	-	(46 540)	(46 540)	
Fair value adjustments in investments	-	-	-	9 190	9 190	
	176 925 065	(46 763 474)	130 161 591	35 318 270	(37 350)	
Surplus	176 925 065	(46 763 474)	130 161 591	35 318 270	(94 843 321)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	176 925 065	(46 763 474)	130 161 591	35 318 270	(94 843 321)	

Due to the fact that finance structure entity is not, by any means, liable to budget their financial activities and thus do not make any form of budgets publicly available, GRAP 24 is therefore not applicable to the entity and thus the consolidated financial statements only reflect information for the municipality and its trading entity (King Cetshwayo Fresh Produce Market (Pty) Ltd), with the budget statement comparing the consolidated budgets of the municipality and the trading entity to the actuals of the group.

STATEMENT OF COMPARISON OF MUNICIPAL AND TRADING ENTITY BUDGET AND GROUP ACTUAL AMOUNTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Note reference
Budget on Accrual Basis						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	9 014 682	-	9 014 682	5 843 562	(3 171 120)	45.6
Receivables from exchange transactions - consumer debtors	31 850 601	(2 877 146)	28 973 455	48 105 067	19 131 612	45.7
Receivables from exchange transactions - VAT	-	-	-	48 197 684	48 197 684	45.7
Receivables from non exchange transactions	387 937	-	387 937	16 635 507	16 247 570	45.8
Current portion of long-term receivables	48 662	-	48 662	53 188	4 526	
Cash and cash equivalents	409 072 400	-	409 072 400	496 397 087	87 324 687	45.9
	450 374 282	(2 877 146)	447 497 136	615 232 095	167 734 959	
Non-Current Assets						
Property, plant and equipment	2 702 210 617	24 617 477	2 726 828 094	2 408 800 871	(318 027 223)	45.10
Intangible assets	1 455 219	5 483 470	6 938 689	4 145 304	(2 793 385)	45.10
Heritage assets	700 000	-	700 000	700 000	-	
Investments in financial assets - shares	-	-	-	88 789	88 789	
Long-term receivables	129 529	-	129 529	116 181	(13 348)	
	2 704 495 365	30 100 947	2 734 596 312	2 413 851 145	(320 745 167)	
Total Assets	3 154 869 647	27 223 801	3 182 093 448	3 029 083 240	(153 010 208)	
Liabilities						
Current Liabilities						
Current portion of long-term liabilities	6 669 520	-	6 669 520	6 669 522	2	
Payables from exchange transactions	127 662 347	-	127 662 347	241 047 674	113 385 327	45.11
Consumer deposits	12 211 635	-	12 211 635	10 058 400	(2 153 235)	45.12
Defined employee benefit obligations	-	-	-	1 166 000	1 166 000	45.13
Provisions	1 808 807	-	1 808 807	1 591 182	(217 625)	
Unspent transfers and subsidies	-	-	-	92 895 169	92 895 169	45.14
	148 352 309	-	148 352 309	353 427 947	205 075 638	
Non-Current Liabilities						
Long term liabilities	31 863 793	-	31 863 793	31 863 792	(1)	
Defined employee benefit obligations	30 632 201	-	30 632 201	35 465 876	4 833 675	45.13
Provisions	92 807 490	-	92 807 490	75 155 263	(17 652 227)	45.15
	155 303 484	-	155 303 484	142 484 931	(12 818 553)	
Total Liabilities	303 655 793	-	303 655 793	495 912 878	192 257 085	
Net Assets	2 851 213 854	27 223 801	2 878 437 655	2 533 170 362	345 267 293	
Reserves						
Accumulated surplus	2 851 213 854	27 223 801	2 878 437 655	2 533 170 362	345 267 293	

STATEMENT OF COMPARISON OF MUNICIPAL AND TRADING ENTITY BUDGET AND GROUP ACTUAL AMOUNTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note reference
Budget on Accrual Basis	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipts from consumers and other	119 408 324	(9 279 509)	110 128 815	93 468 336	(16 660 479)	45.16
Transfers and subsidies	849 332 000	20 240 552	869 572 552	866 329 625	(3 242 927)	
Interest income	44 617 974	(3 007 743)	41 610 231	41 007 071	(603 160)	
	1 013 358 298	7 953 300	1 021 311 598	1 000 805 032	(20 506 566)	
Payments						
Employee costs	(270 662 831)	23 542 363	(247 120 468)	(239 957 821)	7 162 647	
Suppliers	(461 552 531)	(75 620 764)	(537 173 295)	(561 254 154)	(24 080 859)	
Finance costs	(5 322 141)	-	(5 322 141)	(5 322 141)	-	
Transfers and subsidies	(2 910 000)	(2 210 000)	(5 120 000)	(2 955 000)	2 165 000	45.17
	(740 447 503)	(54 288 401)	(794 735 904)	(809 489 116)	(14 753 212)	
Net cash flows from operating activities	272 910 795	(46 335 101)	226 575 694	191 315 916	(35 259 778)	
Cash flows from investing activities						
Payment of property, plant, equipment	(321 812 842)	(15 292 947)	(337 105 789)	(190 718 268)	146 387 521	45.18
Purchase of intangible assets	-	-	-	(93 491)	(93 491)	45.18
Insurance proceeds and proceeds from sale of property, plant and equipment	-	-	-	950 089	950 089	45.19
Decrease in non current/current receivables	-	-	-	51 344	51 344	
Net cash flows from investing activities	(321 812 842)	(15 292 947)	(337 105 789)	(189 810 326)	147 295 463	
Cash flows from financing activities						
Repayment of long-term liabilities	(5 928 340)		(5 928 340)	(5 928 341)	(1)	
Net cash flows from financing activities	(5 928 340)	-	(5 928 340)	(5 928 341)	(1)	
Net decrease in cash and cash equivalents	(54 830 387)	(61 628 048)	(116 458 435)	(4 422 751)	112 035 684	
Cash and cash equivalents at the beginning of the year	409 338 000	88 944 726	498 282 726	500 819 838	2 537 112	
Cash and cash equivalents at the end of the year	354 507 613	27 316 678	381 824 291	496 397 087	114 572 796	

ACCOUNTING POLICIES

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand and the figures in the statements have been rounded to the nearest rand. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied, to all the years, in the preparation of these consolidated annual financial statements, are disclosed below.

1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

1.1.1 PROVISIONS

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Current and Non-Current Provisions.

1.1.2 USEFUL LIVES OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

As described in accounting policies 1.7 & 1.9 the group and municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets

at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and are reviewed annually.

1.1.3 DEFINED BENEFIT PLAN LIABILITIES

As described in accounting policy 1.5, the group and municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the group and municipality that were identified are post retirement health benefit obligations and long service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 16 to the financial statements.

1.1.4 REVENUE RECOGNITION

Accounting policy 1.15 on Revenue from Exchange Transactions and accounting policy 1.16 on Revenue from Non - Exchange Transactions describe the conditions under which revenue is recorded by the management of the group and municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non Exchange Transactions and in particular, whether the service has been rendered. The management of the group and municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.1.5 FINANCIAL ASSETS AND LIABILITIES

The classification of financial assets and liabilities, into categories, is outlined in 1.4 below and is based in managements educated judgement.

1.1.6 CASH GENERATING / NON CASH GENERATING ASSETS

The group and municipality's assets are used for service delivery and are therefore classified as non cash generating assets.

1.2 NEW STANDARDS AND INTERPRETATIONS

Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy. In such cases, the group and municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

THE FOLLOWING NEW GRAP STANDARDS HAVE BEEN APPROVED BUT ARE NOT YET EFFECTIVE

GRAP 20 - RELATED PARTY DISCLOSURE

This standard of GRAP on related parties replaces the IPSAS 20 standard on related party disclosure. No significant impact on the financial statements of the group and municipality is expected.

GRAP 32 - SERVICE CONCESSION ARRANGEMENTS: GRANTOR

This standard of GRAP is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity. A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time and the operator is compensated for its services over the period of the service concession arrangement. Although unlikely at this stage, the standard is only expected to have an impact on the group and municipality in the event of any future such arrangements.

GRAP 34 - SEPARATE FINANCIAL STATEMENTS

The objective of this standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when a municipality or entity prepares separate financial statements. The standard is expected to have an impact on the municipality as the municipality currently has entities that require consolidations.

GRAP 35 - CONSOLIDATED FINANCIAL STATEMENTS

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when the entity controls one or more other entities.

To meet the objective in paragraph .01, this Standard:

- (a) requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- (b) defines the principle of control, and establishes control as the basis for consolidation;
- (c) sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;

- (d) sets out the accounting requirements for the preparation of consolidated financial statements; and
- (e) defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

The standard is expected to have an impact on the municipality as the municipality currently has entities which it consolidates.

GRAP 108 - STATUTORY RECEIVABLES

This standard deals with the prescribed accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables and the effect thereof.

GRAP 109 - ACCOUNTING BY PRINCIPALS AND AGENTS

This standard deals with the prescribed accounting requirements for transactions in a principal and agent relationship. No significant impact on the financial statements of the group and municipality is expected.

GRAP 110 - LIVING AND NON-LIVING RESOURCES

This standard prescribes recognition, measurement, presentation and disclosure requirements for living resources - Living resources are those resources that undergo biological transformation. The standard further prescribes disclosure requirements for non-living resources - Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

No significant impact on the financial statements of the group and municipality is expected as the group and municipality does not anticipate that such resources will become part of the districts mandate.

INTERPRETATIONS OF THE STANDARDS OF GRAP

IGRAP 17- Service concession arrangements where a grantor controls a significant residual interest in an asset

This Interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

It is unlikely that the interpretation will have a material impact on the group and municipality's financial statements.

ACCOUNTING POLICIES ...continued

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

INTERPRETATIONS OF THE STANDARDS OF GRAP ...continued

IGRAP 18 - Recognition and derecognition of land

The objective of this standard is to provide guidance on when an entity should recognise and derecognise land as its asset. It is only applicable to land. It considers structures separately and applies applicable GRAP to land once control is assessed.

It is unlikely that the interpretation will have a material impact on the group and municipality's financial statements.

IGRAP 19 - Liabilities to pay levies

The objective is to provide guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

It is unlikely that the interpretation will have a material impact on the group and municipality's financial statements.

THE FOLLOWING APPROVED STANDARDS OF GRAP THAT ENTITIES ARE NOT REQUIRED TO APPLY

GRAP 18 - SEGMENTAL REPORTING (MUNICIPALITIES AND MUNICIPAL ENTITIES ARE NOT REQUIRED TO APPLY)

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments.

The disclosure of this information will assist users of the financial statements to better understand the group and municipality's historical performance and to identify the resources allocated to support the major activities of the group and municipality.

1.3 CONSOLIDATION

BASIS OF CONSOLIDATION

The consolidated annual financial statements incorporate the consolidated annual financial statements of the municipality and all municipal entities controlled by the municipality.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a municipal entity are measured at their fair values at the date of acquisition. The interest of outside shareholders are stated at the minorities proportion of their fair values of the assets and liabilities recognised.

The results of municipal entities acquired and disposed of during the year are included in the consolidated statement of financial performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the municipality are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

1.4 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is

measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is derecognised when the rights to receive cash flows from the asset has expired or the group or municipality has transferred its right to receive cash flows from the asset. A financial liabilities is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- Cash;
- A contractual right to:
 - receive cash or another financial asset from the entity; or
 - exchange financial assets or financial liabilities under conditions that are potentially favourable to the entity.

A financial liability is any liability that arises from a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

ACCOUNTING POLICIES ...continued

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

1.4 FINANCIAL INSTRUMENTS ...continued

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of utilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution ;or
- a formal agreement, in relation to the contribution, establishing or increasing and existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- combined instruments that are designated at fair value.

CLASSIFICATION

The group and municipality has the following types of financial assets (classes and category) as reflected on the Statement of Financial Position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Finance lease receivables	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Accounts receivable from exchange transactions	Financial asset measured at amortised cost
Accounts receivable from non exchange transactions	Financial asset measured at amortised cost
Short term investment deposits	Financial asset measured at amortised cost
Investment in fixed deposits	Financial asset measured at amortised cost
Investment in municipal entities	Financial asset measured at amortised cost
Investment in financial asset shares	Financial asset measured at fair value

The group and municipality has the following types of financial liabilities (classes and category) as reflected on the statement of financial position or in the notes thereto:

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Short term loans	Financial liability measured at amortised cost
Current portion of long term liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

INITIAL MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The group and municipality measures a financial asset and financial liability initially at its fair value that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs are added to financial instruments carried at amortised cost or cost.

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The group and municipality measures all financial assets and financial liabilities after initial recognition using the following category:

- Financial instruments at amortised cost.

IMPAIRMENT AND UNCOLLECTIBILITY OF FINANCIAL ASSETS

The group and municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

INVESTMENT IN MUNICIPAL ENTITIES

In the municipality's annual financial statements, investments in the municipal entities are carried at amortised cost at reporting date.

1.5 EMPLOYEE BENEFITS

1.5.1 SHORT-TERM EMPLOYEE BENEFITS

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The group and municipality has opted to treat its provision for leave pay as an accrual, included under current liabilities.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is included in payables from exchange transactions.

1.5.2 DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the group and municipality pays fixed contributions into a separate entity. The group and municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The group and municipality's contributions to the defined contribution funds are established in terms of the rules governing those funds. Contributions are recognised in the statement of financial performance in the period in which the service is rendered by the relevant employees. The group and municipality has no further payment obligations once the contributions have been paid.

1.5.3 DEFINED BENEFIT PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Post-retirement health care benefits

The group and municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the group and municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the group and municipality is liable for a certain portion of the medical aid membership fee.

ACCOUNTING POLICIES ...continued

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

1.5 EMPLOYEE BENEFITS ...continued

1.5.3 DEFINED BENEFIT PLANS ...continued

Post-retirement health care benefits ...continued

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Long-service allowance

The group and municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the group and municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The group and municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Defined benefit plans

The group and municipality contributes to various defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 16 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the discounted cash method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

These contributions are recognised in the statement of financial performance when employees have rendered the service entitling them to the contribution.

1.6 PROVISIONS

Provisions are recognised when:

- the group and municipality has a present legal constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of future outflow of resources. Provisions are derecognised if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provision for the rehabilitation of the refuse landfill site is determined at best estimate by consulting engineers.

1.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of water, sanitation services and rental to others, or for administrative purposes, and are expected to be used during more than one financial period.

INITIAL RECOGNITION

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the group and municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the assets at acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the group and municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment for purposes of depreciation.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service the asset are recognised in the carrying amount of the related asset if the recognition criteria are met. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the group and municipality.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

SUBSEQUENT MEASUREMENT

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on a asset is only capitalised when it increases the capacity for future economic benefits associated with the asset.

Where the group and municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent measurement of all property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The group and municipality does not recognise in the carrying amount of an item of property, plant and equipment the cost of day to day servicing of the item.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when compensation becomes receivable.

DEPRECIATION

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Land, with the exception of landfill sites and cemetery, is not depreciated as it is regarded as having an infinite life. If the cost of the land includes the cost of site dismantlement, removal and restoration, that portion of the land asset is depreciated over the period of benefits or service potential, obtained by incurring those costs. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the asset. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the group and municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

ACCOUNTING POLICIES ...continued

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

1.7 PROPERTY, PLANT AND EQUIPMENT ...continued

DEPRECIATION ...continued

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	
◦ Other Buildings		30 years
◦ Permanent		30-50 years
Plant and Equipment	Straight line	
◦ Weed eater		2 years
◦ Lawn mower		2 years
◦ Other		5 years
◦ Skid mounted fire response unit		15 years
Furniture	Straight line	10 years
Computer equipment	Straight line	5 years
Infrastructure-plant and equipment	Straight line	
◦ Heavy duty infrastructure pumps		15 years
◦ Unspecified infrastructure assets		15 years
◦ Standby generator sets-water sewerage camps		15 years
Infrastructure-sewage services	Straight line	
◦ Sewerage containment		50 years
◦ Sewerage network		50 years
◦ Sewerage purification		50 years
Infrastructure-solid waste cell services	Straight line	
◦ Solid waste cell		15 years
◦ Cemetery		15 years
Infrastructure water services	Straight line	
◦ Small schemes		20 years
◦ Water abstraction		20 years
◦ Water network		20 years
◦ Water Purification		20 years
◦ Water storage		50 years
Equipment	Straight line	
◦ Office equipment		5 years
Motor vehicles	Straight line	
◦ Bakkie, LDV, Sedan and tanker		5-7 years
◦ Truck		7 years
◦ Trailer and caravan		5 years
◦ Forklift		5 years
◦ Tractors		15 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the group and municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The group and municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the group and municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the group and municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The group and municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The group and municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.8 HERITAGE ASSETS

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

RECOGNITION

The group and municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the group and municipality, and the cost or fair value of the asset can be measured reliably.

INITIAL MEASUREMENT

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

SUBSEQUENT MEASUREMENT

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

IMPAIRMENT

Heritage assets are not depreciated but the group and municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the group and municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Heritage assets which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives, as reflected below:

Item	Useful life
Memorial and status	Indefinite life

ACCOUNTING POLICIES ...continued

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

1.8 HERITAGE ASSETS ...continued

TRANSFERS

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

DERECOGNITION

The group and municipality derecognises a heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the item is derecognised.

1.9 INTANGIBLE ASSETS

An asset is identifiable if it either:

- is separable, i.e. capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the group and municipality or from other rights and obligations.

INITIAL RECOGNITION

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the group and municipality; and
- The cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost shall be measured at its fair value as at the date of acquisition.

Expenditure on research for (or the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

SUBSEQUENT MEASUREMENT, AMORTISATION AND IMPAIRMENT

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3-5 years

DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.10 INVESTMENTS IN FINANCIAL ASSETS - SHARES

An investment in a financial asset - shares is carried at fair value at each reporting date.

The group and municipality recognises a dividend or similar distribution in surplus or deficit in its separate consolidated annual financial statements when its right to receive the dividend or similar distribution is established.

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is the period of time over which an asset is expected to be used by the group and municipality.

IDENTIFICATION OF IMPAIRMENT

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The group and municipality assesses at each reporting date whether there is any indication that a non-cash generating asset may be impaired. If any such indication exists, the group and municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the group and municipality also tests a non-cash generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

1.12 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.12.1 FINANCE LEASES - THE GROUP AND MUNICIPALITY AS A LESSOR

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the future minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

1.12.2 OPERATING LEASES - THE GROUP AND MUNICIPALITY AS A LESSEE

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight line basis over the period of the lease.

ACCOUNTING POLICIES ...continued

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

1.13 INVENTORIES

Inventories comprise current assets held for consumption or distribution during the ordinary course of business.

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and, net realisable value or current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the group and municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the group and municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the statement of financial performance in the period in which the reversal occurs.

1.14 TAX

TAX EXPENSE:

The municipality and trading entity is exempt from income tax in terms of section 10(1)(A) of the Income Tax Act.

VALUE ADDED TAX (VAT):

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality, permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors.

1.15 REVENUE FROM EXCHANGE TRANSACTIONS:

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the group and municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

RENDERING OF SERVICES/ SALE OF GOODS

When the outcome of a transaction involving the rendering of services or sale of goods can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group and municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the cost incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and when the meter is not read provisional estimates are made and based on those readings the revenue is invoiced monthly and recognised. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse are recognised on a monthly basis in arrears and on an accrual basis by applying the approved tariff to each consumer that makes use of the landfill site.

Service charges from sanitation are raised on a monthly basis in accordance with the approved tariffs.

Interest and rentals are recognised on a time proportion basis.

1.16 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the group and municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the group and municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the group and municipality either receives value from another entity or municipality without directly giving approximately equal value in exchange, or gives value to another entity or municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in law or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting group and municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Government grants (transfers and subsidies) are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the group and municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any conditions associated with the grant (transfers and subsidy).

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the group and municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property plant and equipment, when such items are brought into use. Where public contributions have been received but the group and municipality has not met the conditions, a liability is recognised.

MEASUREMENT

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the group and municipality.

When, as a result of a non-exchange transaction, the group and municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

ACCOUNTING POLICIES ...continued

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

1.17 GRANTS IN AID

The group and municipality transfers money to individuals, organisations and other sectors of government from time to time.

When making these transfers, the group and municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.18 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the group and municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets. In certain

circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the group and municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 BUDGET INFORMATION

Municipal entities and municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The consolidated annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Refer to note 45.

1.20 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (No. 56 of 2003). All unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 COMMITMENTS

Items are classified as commitments where the municipality commits itself to future transactions that will result in the future outflow of resources. Capital commitments are not recognised in the statement of Financial Position as a liability but are included in the disclosure note 37, for approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

1.24 RELATED PARTIES

The group and municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the group and municipality, including those charged with the governance of the group and

municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the group and municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed. The group and municipality applies GRAP 20 for related parties.

1.25 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.26 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.27 GOING CONCERN ASSUMPTION

These consolidated annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.28 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The group and municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The group and municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
2. INVENTORIES				
Consumables	568 370	464 453	568 370	464 453
Maintenance materials	3 478 118	3 915 503	3 478 118	3 915 503
Water stock	1 797 074	1 613 212	1 797 074	1 613 212
	5 843 562	5 993 168	5 843 562	5 993 168
Inventories written down	-	-	-	-
	5 843 562	5 993 168	5 843 562	5 993 168
Inventories recognised as an expense during the year	3 239 582	3 566 129	3 239 582	3 566 129
The comparative figure for the group and municipality for consumable and maintenance materials has been restated by an amount of R43 002 from R4 422 958 to R4 379 956 - refer to note 44.				
Inventory pledged as security				
No inventory was pledged as security.				
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS - CONSUMER DEBTORS				
Gross balances				
Water	64 995 364	59 932 993	64 995 364	59 932 993
Sanitation	9 968 287	8 009 996	9 968 287	8 009 996
Solid waste	4 708 366	3 966 493	4 708 366	3 966 493
Trading fresh produce	8 657 552	4 448 966		
	88 329 569	76 358 448	79 672 017	71 909 482
Less: Allowance for impairment				
Water	(33 809 411)	(29 164 517)	(33 809 411)	(29 164 517)
Sanitation	(6 032 250)	(4 738 418)	(6 032 250)	(4 738 418)
Solid waste	(382 841)	(741 256)	(382 841)	(741 256)
	(40 224 502)	(34 644 191)	(40 224 502)	(34 644 191)
Net balance				
Water	31 185 953	30 768 476	31 185 953	30 768 476
Sanitation	3 936 037	3 271 578	3 936 037	3 271 578
Solid waste	4 325 525	3 225 237	4 325 525	3 225 237
Trading fresh produce	8 657 552	4 448 966		
	48 105 067	41 714 257	39 447 515	37 265 291

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS - CONSUMER DEBTORS ...Continued				
Summary of debtors by service type				
Water				
Current (0 - 30 days)	9 975 259	7 392 228	9 975 259	7 392 228
31 - 60 days	2 792 803	3 822 409	2 792 803	3 822 409
61 - 90 days	1 431 808	3 988 092	1 431 808	3 988 092
91 - 120 days	1 732 758	1 331 702	1 732 758	1 331 702
> 120 days	49 062 736	43 398 562	49 062 736	43 398 562
Less: Allowance for impairment	(33 809 411)	(29 164 517)	(33 809 411)	(29 164 517)
	31 185 953	30 768 476	31 185 953	30 768 476
Sanitation				
Current (0 - 30 days)	662 599	630 062	662 599	630 062
31 - 60 days	321 210	327 432	321 210	327 432
61 - 90 days	234 798	228 885	234 798	228 885
91 - 120 days	219 418	210 108	219 418	210 108
> 120 days	8 530 262	6 613 511	8 530 262	6 613 511
Less: Allowance for impairment	(6 032 250)	(4 738 420)	(6 032 250)	(4 738 420)
	3 936 037	3 271 578	3 936 037	3 271 578
Solid waste				
Current (0 - 30 days)	2 310 219	3 039 909	2 310 219	3 039 909
31 - 60 days	1 109 825	8 709	1 109 825	8 709
61 - 90 days	73 019	107 473	73 019	107 473
91 - 120 days	186 742	4 653	186 742	4 653
> 120 days	1 028 561	805 747	1 028 561	805 747
Less: Allowance for impairment	(382 841)	(741 254)	(382 841)	(741 254)
	4 325 525	3 225 237	4 325 525	3 225 237
Supply of fresh produce to Department of Education				
Current (0 - 30 days)	1 083 681	2 639 541		
31 - 60 days	2 396 693	1 486 533		
61 - 90 days	2 013 484	322 892		
91-120 days	640 636			
121-365 days	2 523 058			
Less: Allowance for impairment	-	-		
	8 657 552	4 448 966		
The group comparative figure for trading of fresh produce has been restated by an amount of R115 712 from R4 564 678 to R4 448 966 - refer to note 44.				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS - CONSUMER DEBTORS ...Continued				
Summary of debtors by customer classification				
Domestic Consumers				
Current (0 - 30 days)	6 596 329	5 572 417	6 596 329	5 572 417
31 - 60 days	1 628 684	1 791 739	1 628 684	1 791 739
61 - 90 days	1 257 637	3 539 681	1 257 637	3 539 681
91 - 120 days	1 359 936	953 785	1 359 936	953 785
> 120 days	49 320 728	42 340 561	49 320 728	42 340 561
Less: Allowance for impairment	(40 020 425)	(33 902 936)	(40 020 425)	(33 902 936)
	20 142 889	20 295 247	20 142 889	20 295 247
Industrial/Commercial Consumers				
Current (0 - 30 days)	3 632 476	3 455 431	3 632 476	3 455 431
31 - 60 days	1 974 985	1 345 913	1 974 985	1 345 913
61 - 90 days	308 216	229 239	308 216	229 239
91 - 120 days	498 402	241 157	498 402	241 157
> 120 days	4 026 608	3 447 287	4 026 608	3 447 287
Less: Allowance for impairment	(204 077)	(741 255)	(204 077)	(741 255)
	10 236 610	7 977 772	10 236 610	7 977 772
National and Provincial Government Consumers				
Current (0 - 30 days)	3 802 953	4 673 891	2 719 272	2 034 350
31 - 60 days	3 016 862	2 507 431	620 169	1 020 898
61 - 90 days	2 187 255	936 323	173 771	555 530
91 - 120 days	280 580	351 521	280 580	351 521
> 120 days	5 274 224	5 029 973	5 274 224	5 029 973
Less: Allowance for impairment	-	-	-	-
	14 561 874	13 499 139	9 068 016	8 992 272
Total				
Current (0 - 30 days)	14 031 757	13 701 739	12 948 076	11 062 198
31 - 60 days	6 620 531	5 645 083	4 223 838	4 158 550
61 - 90 days	3 753 108	4 647 342	1 739 624	4 324 450
91 - 120 days	2 138 918	1 546 463	2 138 918	1 546 463
> 120 days	58 621 561	50 817 821	58 621 561	50 817 821
Less: Allowance for impairment	(40 224 502)	(34 644 191)	(40 224 502)	(34 644 191)
	44 941 373	41 714 257	39 447 515	37 265 291

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS - CONSUMER DEBTORS ...continued				
Less: Allowance for impairment				
Current (0 - 30 days)	(1 827 119)	(1 572 123)	(1 827 119)	(1 572 123)
31 - 60 days	(877 307)	(730 278)	(877 307)	(730 278)
61 - 90 days	(1 027 176)	(751 944)	(1 027 176)	(751 944)
91 - 120 days	(1 003 771)	(780 337)	(1 003 771)	(780 337)
> 120 days	(35 489 129)	(30 809 509)	(35 489 129)	(30 809 509)
	(40 224 502)	(34 644 191)	(40 224 502)	(34 644 191)
Reconciliation of allowance for impairment				
Balance at beginning of the year	(34 644 191)	(38 858 103)	(34 644 191)	(38 858 103)
Contributions to allowance	(8 753 607)	(5 317 989)	(8 753 607)	(5 317 989)
Debt impairment written off against allowance	3 173 296	9 531 901	3 173 296	9 531 901
	(40 224 502)	(34 644 191)	(40 224 502)	(34 644 191)

In the determination of the amounts deemed to be impaired at financial year end, an analysis of each debtor is undertaken.

The debtors are classified into one of three categories.

- Category A** Regular payers, government accounts, consumers with amounts owing not older than 60 days.
- Category B** Irregular payers.
- Category C** Indigent customers, customers with debts older than 60 days with no payments made within the last 6 months and inactive accounts.

The value of the provision is determined for the detailed categories as follows:

- Category A** 0% of consumer's total debt
- Category B** 50% of consumer's total debt less or equal to 180 days
100% of consumer's total debt > than 180 days
- Category C** 100% of consumer's total debt

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS - VAT				
VAT receivable	48 197 684	59 836 311	47 347 498	59 232 227
	48 197 684	59 836 311	47 347 498	59 232 227
Refer to note 41 for full disclosure.				
5. RECEIVABLES FROM NON EXCHANGE TRANSACTIONS				
Employee, councillor account transactions	643 945	365 823	643 945	365 823
Deposits	7 385 251	7 402 459	7 385 251	7 402 459
Grant debtors - retentions	-	1 296 919	-	1 296 919
uMhlathuze Municipality	1 212 559	1 212 559	1 212 559	1 212 559
Payments in advance	3 550 538	3 861 253	3 550 538	3 861 253
Investment interest accrual	3 843 214	4 807 075	3 843 214	4 807 075
	16 635 507	18 946 088	16 635 507	18 946 088
2018/2019 uMhlathuze municipality:				
A debtor amounting to R1 212 559 was raised as a result of the Ntambanana disestablishment and section 12 split notice.				
The debtor has not been settled by the municipality and the issue is being dealt with the management of the uMhlathuze municipality.				
2017/2018 Grant debtors:				
In the financial year, a grant debtor was raised for Municipal Infrastructure Grant amounting to R1 296 919 for retentions not yet paid. Refer to note 21.				
Debt Impairment - exchange and non exchange transactions				
2018/2019 As at 30 June 2019, the total debt impairment as recognised in the statement of financial performance for receivables from exchange transactions amounted to R8 753 607.				
2017/2018 As at 30 June 2018, the total debt impairment as recognised in the statement of financial performance for receivables from exchange transactions amounted to R5 317 989.				
	8 753 607	5 317 989	8 753 607	5 317 989
Debt impairment - receivables from exchange transactions	8 753 607	5 317 989	8 753 607	5 317 989
Exchange and non exchange receivables pledged as security No exchange or non exchange receivables have been pledged as security.				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
6. LONG-TERM RECEIVABLES				
Staff home loans	116 181	172 941	116 181	172 941
Current portion of long-term receivables	53 188	47 772	53 188	47 772
Non-current long-term receivables	116 181	172 941	116 181	172 941
	169 369	220 713	169 369	220 713
Staff home loans				
Housing loans were granted to qualifying staff prior to 1 July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually. These loans will be repayable in accordance with the home loan agreements.				
7. CASH AND CASH EQUIVALENTS				
<i>Cash and cash equivalents consist of:</i>				
Cash on hand	4 896	4 206	3 800	3 800
Cash book balances	146 392 191	150 815 632	145 579 495	148 278 926
Call investments deposits	350 000 000	350 000 000	350 000 000	350 000 000
	496 397 087	500 819 838	495 583 295	498 282 726
Call Investment deposits portfolio is detailed below:				
Financial Institution	Maturity Date			
2018/2019				
NEDBANK	02/07/2019	75 000 000	75 000 000	
NEDBANK	24/07/2019	60 000 000	60 000 000	
NEDBANK	26/09/2019	90 000 000	90 000 000	
STANDARD BANK	On Call	20 000 000	20 000 000	
STANDARD BANK	05/08/2019	50 000 000	50 000 000	
STANDARD BANK	26/08/2019	55 000 000	55 000 000	
		350 000 000	350 000 000	
2017/2018				
ABSA	06/08/2018	25 000 000		25 000 000
NEDBANK	14/09/2018	60 000 000		60 000 000
STANDARD BANK	ON CALL	20 000 000		20 000 000
STANDARD BANK	03/07/2018	70 000 000		70 000 000
STANDARD BANK	02/08/2018	100 000 000		100 000 000
INVESTEC	18/07/2018	50 000 000		50 000 000
INVESTEC	04/09/2018	25 000 000		25 000 000
TOTAL		350 000 000		350 000 000

An average interest rate of 7.69% and 7.71% was received on investments placed for the 2018/2019 and 2017/2018 financial years respectively.

The detailed investment register is available at the registered office of the municipality.

No cash and cash equivalents have been pledged as collateral.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

7. CASH AND CASH EQUIVALENTS ...continued

The group and municipality had the following bank accounts:

Account description	Account Number	Bank statement balances			Cash book balances		
		30 June 2019 R	30 June 2018 R	30 June 2017 R	30 June 2019 R	30 June 2018 R	30 June 2017 R
NEDBANK - Primary Account	145 408 8885	115 984 681	115 472 330	141 689 390	115 982 109	115 441 207	141 660 059
Other accounts							
NEDBANK	145 408 8893	2 081 593	3 226 768	1 468 723	2 081 593	2 862 736	1 208 083
NEDBANK	145 408 9016	27 515 793	29 974 983	55 485 510	27 515 793	29 974 983	55 485 510
NEDBANK - King Cetshwayo Fresh Produce Market (Pty) Ltd	111 044 5091	86 819	1 849 572	814	86 819	1 849 572	814
NEDBANK - Uthungulu Financing Partnership	197 937 3671			188 199			188 199
NEDBANK - Uthungulu House Development Trust	197 937 3663	725 877	687 134	650 169	725 877	687 134	650 169
Total		146 394 763	151 210 787	199 482 805	146 392 191	150 815 632	199 192 834

In the 2017/2018 financial year the Uthungulu Financing Partnership was dissolved - refer to note 11 and 43.

Detailed bank reconciliations in support of the cash book balances are available at the registered office of the municipality and its entities.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

8. PROPERTY, PLANT AND EQUIPMENT

Group	June 2019			June 2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Community assets	20 833 149	(3 569 353)	17 263 796	14 840 803	(2 868 505)	11 972 298
Assets under construction	894 162 052	-	894 162 052	896 497 569		896 497 569
Infrastructure	1 930 392 058	(514 135 996)	1 416 256 062	1 741 173 486	(449 680 178)	1 291 493 308
Buildings	89 936 254	(31 731 356)	58 204 898	89 800 670	(19 574 197)	70 226 473
Plant equipment	3 780 057	(2 432 867)	1 347 190	3 668 532	(1 858 129)	1 810 403
Furniture	7 670 138	(4 698 126)	2 972 012	7 541 220	(4 272 892)	3 268 328
Motor vehicles	18 463 458	(7 850 602)	10 612 856	16 966 287	(5 819 525)	11 146 762
Office equipment	8 629 345	(5 745 260)	2 884 085	8 427 194	(4 997 076)	3 430 118
Computer equipment	13 917 921	(8 820 001)	5 097 920	14 726 763	(8 462 974)	6 263 789
Total	2 987 784 432	(578 983 561)	2 408 800 871	2 793 642 524	(497 533 476)	2 296 109 048

Municipality	June 2019			June 2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Community assets	20 833 149	(3 569 353)	17 263 796	14 840 803	(2 868 505)	11 972 298
Assets under construction	894 162 052	-	894 162 052	896 497 569		896 497 569
Infrastructure	1 930 392 058	(514 135 996)	1 416 256 062	1 741 173 486	(449 680 178)	1 291 493 308
Buildings	73 979 522	(20 974 624)	53 004 898	73 843 938	(18 867 748)	54 976 190
Plant equipment	3 216 467	(2 116 900)	1 099 567	3 104 942	(1 654 880)	1 450 062
Furniture	7 116 564	(4 334 561)	2 782 003	6 922 955	(3 986 515)	2 936 440
Motor vehicles	18 463 458	(7 850 602)	10 612 856	16 966 287	(5 819 525)	11 146 762
Office equipment	8 629 345	(5 745 260)	2 884 085	8 427 194	(4 997 076)	3 430 118
Computer equipment	13 450 900	(8 518 660)	4 932 240	14 146 716	(8 192 931)	5 953 785
Total	2 970 243 515	(567 245 956)	2 402 997 559	2 775 923 890	(496 067 358)	2 279 856 532

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

8. PROPERTY, PLANT AND EQUIPMENT ...continued

Reconciliation of property, plant and equipment - June 2019 Group	Opening carrying value	Additions	Disposals	Transfers	Donations	Depreciation	Impairment	Total
Community assets	11 972 298	-	-	5 992 346	-	(700 848)	-	17 263 796
Assets under construction	896 497 569	187 386 162	-	(189 721 679)	-	-	-	894 162 052
Infrastructure	1 291 493 308	5 489 237	-	183 729 333	-	(63 722 269)	(733 547)	1 416 256 062
Buildings	70 226 470	135 586				(2 426 013)	(9 731 148)	58 204 895
Plant equipment	1 810 407	270 660	(50 374)			(683 499)		1 347 194
Furniture	3 268 329	611 052	(94 832)			(812 537)		2 972 012
Motor vehicles	11 146 762	1 497 170				(2 031 076)		10 612 856
Office equipment	3 430 118	838 203	(95 346)			(1 288 891)		2 884 084
Computer equipment	6 263 787	1 474 289	(391 520)			(2 248 638)		5 097 918
Total	2 296 109 048	197 702 359	(632 072)	-	-	(73 913 771)	(10 464 695)	2 408 800 869

Reconciliation of property, plant and equipment - June 2019 Municipality	Opening carrying value	Additions	Disposals	Transfers	Donations	Depreciation	Impairment	Total
Community assets	11 972 298			5 992 346		(700 848)		17 263 796
Assets under construction	896 497 569	187 386 162		(189 721 679)				894 162 052
Infrastructure	1 291 493 308	5 489 237		183 729 333		(63 722 269)	(733 547)	1 416 256 062
Buildings	54 976 190	135 586				(2 106 878)		53 004 898
Plant equipment	1 450 062	270 660	(50 374)			(570 781)		1 099 567
Furniture	2 936 440	611 052	(76 606)			(688 883)		2 782 003
Motor vehicles	11 146 762	1 497 170				(2 031 076)		10 612 856
Office equipment	3 430 118	838 203	(95 346)			(1 288 891)		2 884 084
Computer equipment	5 953 785	1 474 289	(363 205)			(2 132 629)		4 932 240
Total	2 279 856 532	197 702 359	(585 531)	-	-	(73 242 255)	(733 547)	2 402 997 558

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

8. PROPERTY, PLANT AND EQUIPMENT ...continued

Reconciliation of property, plant and equipment - June 2018 Group	Opening carrying value	Additions	Disposals	Transfers	Donations	Depreciation	Impairment	Total
Community assets	12 478 375	-	-	-	-	(506 077)		11 972 298
Assets under construction	945 531 745	164 497 941	-	(214 027 117)	495 000	-		896 497 569
Infrastructure	1 120 757 222	16 473 421	(12 346)	214 027 117		(59 752 106)		1 291 493 308
Buildings	72 654 423					(2 427 953)		70 226 470
Plant equipment	2 149 340	411 322	(9 313)			(740 942)		1 810 407
Furniture	3 351 173	573 104	(1 205)			(654 743)		3 268 329
Motor vehicles	6 518 766	1 521 183	(1 248 375)		6 426 275	(2 071 087)		11 146 762
Office equipment	3 984 961	762 360	(1 651)			(1 315 552)		3 430 118
Computer equipment	6 534 031	1 932 043	(60 333)		2 504	(2 144 458)		6 263 787
Other assets								-
Total	2 173 960 036	186 171 374	(1 333 223)	-	6 923 779	(69 612 918)	-	2 296 109 048

Reconciliation of property, plant and equipment - June 2018 Municipality	Opening carrying value	Additions	Disposals	Transfers	Donations	Depreciation	Impairment	Total
Community assets	12 478 375	-	-	-	-	(506 077)		11 972 298
Assets under construction	945 531 745	164 497 941	-	(214 027 117)	495 000	-		896 497 569
Infrastructure	1 120 757 222	16 473 421	(12 346)	214 027 117	-	(59 752 106)		1 291 493 308
Buildings	57 085 005					(2 108 818)		54 976 187
Plant equipment	1 676 281	411 322	(9 313)			(628 224)		1 450 066
Furniture	3 046 215	573 104	(1 205)			(681 673)		2 936 441
Motor vehicles	6 518 766	1 521 183	(1 248 375)		6 426 275	(2 071 087)		11 146 762
Office equipment	3 984 961	762 360	(1 651)			(1 315 552)		3 430 118
Computer equipment	6 210 801	1 832 293	(60 333)	-	2 504	(2 031 481)		5 953 784
Total	2 157 289 371	186 071 624	(1 333 223)	-	6 923 779	(69 095 018)	-	2 279 856 533



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

8. PROPERTY, PLANT AND EQUIPMENT ...continued

Property, plant and equipment in the process of being constructed or developed

The assets under construction (infrastructure) carrying values includes delayed water infrastructure projects amounting to R98.3m. The delays are mainly due to completed projects awaiting the completion of additional project phases within the network.

Also, included in assets under construction (infrastructure) carrying value is a halted water project amounting to R33.5m. The project has been temporarily halted due to the performance of the contractor and the business rescue process. The process to appoint a new contractor to complete the remaining work has commenced.

Assets under construction 2018/2019 Group and Municipality	Included within Infrastructure	Included within Community assets	Included within Operational Buildings	Total
Carrying value	893 349 945	494 843	317 264	894 162 052

Assets under construction 2017/2018 Group and Municipality	Included within Infrastructure	Included within Community assets	Included within Operational Buildings	Total
Carrying value	889 747 221	6 487 190	263 158	896 497 569

Expenditure incurred to repair and maintain property, plant and equipment - Group and Municipality	June 2019	June 2018
Other assets	5 473 999	4 268 312
Infrastructure	199 231 383	158 119 194
	204 705 382	162 387 506

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

8. PROPERTY, PLANT AND EQUIPMENT ...continued

A register containing the information required by section 63 of the Municipal Finance Management Act (No. 56 of 2003) is available for inspection at the registered office of the municipality and trading entity.

2018/2019

No assets have been pledged as security nor have any restrictions been placed on any assets under control of the group or municipality and additions disclosed are inclusive of accruals.

The total assets under construction amounting to R894 162 052 relates to infrastructure assets of R893 349 941 and community and other assets of R812 111.

2017/2018

No assets have been pledged as security nor have any restrictions been placed on any assets under the control of the group and municipality and additions disclosed are inclusive of accruals.

The total assets under construction was restated by an amount of R6 651 570 from R903 147 139 to R896 497 569 which pertains to prior year assets now capitalised. The carrying value of property, plant and equipment for the group and municipality was restated by an amount of R742 418 and R878 709 from R2 295 256 432 to R2 295 998 850 and R2 278 977 824 to R2 279 856 533 respectively - refer to note 44. The restated total assets under construction amounting to R896 497 569 relates to infrastructure assets of R889 747 221 and community and other assets of R6 750 348.

The group and municipality received donated assets from a service provider and the Department of Water Affairs with a cost of R8 773 830 and a carrying value of R6 428 779. A further donation of assets was received from the Department of Cooperative Governance and Traditional Affairs amounting to R495 000 being the cost thereof.

9. INTANGIBLE ASSETS	June 2019			June 2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Group						
Computer software and other	6 760 657	(2 615 353)	4 145 304	6 836 328	(2 387 011)	4 449 317
Total	6 760 657	(2 615 353)	4 145 304	6 836 328	(2 387 011)	4 449 317

Municipality	June 2019			June 2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software and other	6 176 492	(2 268 892)	3 907 600	6 345 654	(2 157 383)	4 188 271
Total	6 176 492	(2 268 892)	3 907 600	6 345 654	(2 157 383)	4 188 271

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

9. INTANGIBLE ASSETS ...continued

Reconciliation of intangible assets - June 2019 Group	Opening carrying value	Additions	Disposals	Amortisation	Total
Computer software and other	4 449 317	686 573	(98 674)	(891 912)	4 145 304

Reconciliation of intangible assets - June 2019 Municipality	Opening carrying value	Additions	Disposals	Amortisation	Total
Computer software and other	4 188 271	593 082	(98 674)	(775 079)	3 907 600

Reconciliation of intangible assets - June 2018 Group	Opening carrying value	Additions	Amortisation	Impairment reversal	Total
Computer software and other	4 051 814	1 171 632	(774 129)	(429 468)	4 449 317

Reconciliation of intangible assets - June 2018 Municipality	Opening carrying value	Additions	Amortisation	Impairment reversal	Total
Computer software and other	3 692 633	1 171 632	(675 994)	-	4 188 271

No intangible assets have been pledged as security nor any restrictions imposed thereon.

2017/2018

The carrying value for intangible assets for the group and municipality was restated by an amount of R270 005 and R159 464 from R4 719 322 to R4 449 317 and R4 028 808 to R4 188 271 - refer to note 44.

10. HERITAGE ASSETS

Group and Municipality	June 2019			June 2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Historical Monuments	700 000	-	700 000	700 000	-	700 000

Reconciliation of Heritage assets - June 2019 Group and Municipality	Opening Balance	Additions	Total
Historical Monuments	700 000		700 000

Historical Monuments

The municipality commissioned a historical monument of King Cetshwayo in the 2016/2017 financial year and as such deemed this as a cultural heritage asset.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
11. INVESTMENTS IN MUNICIPAL ENTITIES				
% Holding				
uThungulu Financing Partnership				99
uThungulu House Development Trust			100	100
King Cetshwayo Fresh Produce Market (Pty) Ltd			100	100
Carrying amount				
uThungulu House Development Trust			725 877	687 134
King Cetshwayo Fresh Produce Market (Pty) Ltd			1 000	1 000
			726 877	688 134

The carrying amounts of municipal entities are shown net of impairment losses. Refer to note 43.

The finance head lease payments represented payments by the municipality for a head lease property in which the municipality has a controlling interest at the end of the lease through the Uthungulu Financing Partnership and consisted of a lease over Portion 2 of ERF 10033 Richards Bay, 2 Haiti, Central Business District, known as King Cetshwayo House.

The original lease period expired on 31 October 2017 wherein the last payment was made and the ownership of the property vested in the municipality.

The Head Lease Agreement and Sub-Lease Agreement terminated on 1 October 2018 in accordance with the terms and conditions of such agreements and the partners have therefore agreed to dissolve the Partnership, in accordance with the provisions of clause 3 of the Partnership Agreement.

The municipality has consulted Council's attorneys regarding the different options in terms of the dissolution of the uThungulu House Development Trust. Council has taken a resolution to dissolve the uThungulu House Development Trust which is administering the building and the subsequent processes were initiated in the year under review.

Controlled entities pledged as security

No investments have been pledged as security.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

		Group		Municipality	
		2019 R	2018 R	2019 R	2018 R
12. INVESTMENTS IN FINANCIAL ASSETS - SHARES					
Name of entity	No. of shares 2019				
Sanlam Limited (Listed share) at fair value	1 136	88 789	79 600	88 789	79 600
	No. of shares 2018				
Sanlam Limited (Listed share) at fair value	1 136				
Fair value adjustment The fair values are determined annually at end of the reporting period. The fair values of listed or quoted investments are based on the quoted market share price.					
Reconciliation of fair value adjustment in 2018/2019	R				
Share price as at 30 June 2018	70,07				
Share price as at 30 June 2019	78,16				
Share value as at 30 June 2018	79 600				
Share value as at 30 June 2019	88 789				
Gain on fair value adjustment	9 189				
Reconciliation of fair value adjustment in 2017/2018					
Share price as at 30 June 2017	64,80				
Share price as at 30 June 2018	70,07				
Share value as at 30 June 2017	73 613				
Share value as at 30 June 2018	79 600				
Gain on fair value adjustment	5 987				

The municipality was one of numerous municipalities who became incidental shareholders in Sanlam Limited as a result of a demutualisation process undertaken by Sanlam Limited in 1998.

The shares in Sanlam Limited are measured at fair value with reference to quoted prices on the Johannesburg Stock Exchange as at each reporting date and the transactions has been applied accordingly.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
13. LONG-TERM LIABILITIES				
At amortised cost				
ABSA Bank 12.6%	24 979 601	28 393 087	24 979 601	28 393 087
The loan was raised originally for the development of the King Cetshwayo House building and the greater Mthonjaneni Bulk Water Scheme. Subsequently infrastructure for the landfill site and sewer treatment plants were constructed there from. The original loan is repayable after a 14 year period (remaining period 5 years). Interest at 12.6% is payable 6 monthly in arrears on the last day of the month.				
INCA 11.95%	13 553 713	16 068 568	13 553 713	16 068 568
The loan was raised to finance extensions to King Cetshwayo House and the development of the Regional Solid Waste site cell 2. The original loan is repayable after a 14 year period (remaining period 4 years). Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.				
Long-term liabilities	38 533 314	44 461 655	38 533 314	44 461 655
Non-current liabilities				
At amortised cost	31 863 792	38 533 314	31 863 792	38 533 314
Current liabilities				
At amortised cost	6 669 522	5 928 341	6 669 522	5 928 341
	38 533 314	44 461 655	38 533 314	44 461 655
14. PAYABLES FROM EXCHANGE TRANSACTIONS				
Accrued leave pay	15 300 772	13 051 369	14 838 556	12 681 180
Amounts received in advance	5 112 249	5 399 600	5 112 249	5 399 600
uMhlathuze Municipality	37 561	37 561	37 561	37 561
Retention payables	49 967 615	56 070 682	49 832 736	55 935 803
Trade payables	170 629 477	192 327 906	165 354 256	182 834 251
	241 047 674	266 887 118	235 175 358	256 888 395
The groups comparative figure for trade payables and retentions have been restated by an amount of R3 263 from R266 890 381 to R266 887 118 - refer to note 44.				
Payables are settled in terms of legislation, except for retentions which are settled in terms of the contract agreement. Payments received in advance are non-interest bearing.				
15. CONSUMER DEPOSITS				
Water	10 058 400	10 011 629	10 058 400	10 011 629
In terms of Council's by-laws no interest is raised or paid on consumer deposits.				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

16. DEFINED EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit plan

Post retirement health care benefit liability

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of the unfunded defined benefit obligation were carried out as at 30 June 2019 by PWC, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, was measured using the projected unit credit funding method. No other post retirement benefits are provided by the municipality.

The municipality makes monthly contributions to the following medical aid schemes

- Bonitas
- Keyhealth
- Hosmed
- Samwumed
- LA Health

The post employment health care benefit plan is a defined benefit plan, of which the members are made up of 333 in service members employees (2018 - 314) and 4 continuation members - retirees, widowers and orphans (2018 - 4).

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
Estimated liability in respect of past services				
In-service members (Employees)	25 549 707	23 678 000	25 549 707	23 678 000
Continuation members (Retirees, widowers and orphans)	2 319 000	2 275 000	2 319 000	2 275 000
	27 868 707	25 953 000	27 868 707	25 953 000

Long service awards

A long-service award is granted to municipal employees per the policy after the completion of fixed periods of continuous service with the municipality which includes their uninterrupted service with the former Local Authorities amalgamated in December 2000. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into an amount based on his or her basic salary applicable at the time the award became due or, alternatively, credited to his or her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2019 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of the unfunded defined benefit obligation were carried out as at 30 June 2019 by PWC, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, was measured using the projected unit credit funding method. No other long service benefits are provided by the municipality.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
16. DEFINED EMPLOYEE BENEFIT OBLIGATIONS ...continued				
The amounts recognised in the statement of financial position are as follows:				
Carrying value				
Present value of defined employee benefit obligation - post employment medical aid benefits	(27 868 707)	(25 953 000)	(27 868 707)	(25 953 000)
Present value of defined employee benefit obligation - long service awards	(8 763 169)	(6 455 000)	(8 763 169)	(6 455 000)
	(36 631 876)	(32 408 000)	(36 631 876)	(32 408 000)
Non current liabilities	(35 465 876)	(31 470 000)	(35 465 876)	(31 470 000)
Current liabilities	(1 166 000)	(938 000)	(1 166 000)	(938 000)
	(36 631 876)	(32 408 000)	(36 631 876)	(32 408 000)
Changes in the present value of the defined benefit obligation are as follows:				
Opening balance	32 408 000	30 839 000	32 408 000	30 839 000
Net expense recognised in the statement of financial performance - total included in employee related costs	4 223 876	1 569 000	4 223 876	1 569 000
	36 631 876	32 408 000	36 631 876	32 408 000
Net expense recognised in the statement of financial performance				
Post employment medical aid benefits - current service cost	2 399 000	1 710 000	2 399 000	1 710 000
Long service awards - current service cost	842 000	764 000	842 000	764 000
Long service awards - past service cost	1 152 000	-	1 152 000	-
Post employment medical aid benefits - interest cost	2 732 000	2 642 000	2 732 000	2 642 000
Long service awards - interest cost	709 000	585 000	709 000	585 000
Post employment medical aid benefits - actuarial loss/(gain)	(3 058 000)	(2 636 876)	(3 058 000)	(2 636 876)
Long service awards - actuarial loss/(gain)	562 000	(862 897)	562 000	(862 897)
Post employment medical aid benefits - benefits paid	(157 293)	(154 124)	(157 293)	(154 124)
Long service awards - benefits paid	(956 831)	(478 103)	(956 831)	(478 103)
	4 223 876	1 569 000	4 223 876	1 569 000
Calculation of actuarial gains and losses				
Post employment medical aid benefits - actuarial loss/(gain)	(3 058 000)	(2 636 876)	(3 058 000)	(2 636 876)
Long service awards - actuarial loss/(gain)	562 000	(862 897)	562 000	(862 897)
	(2 496 000)	(3 499 773)	(2 496 000)	(3 499 773)

In the year under review certain clauses within the conditions of service collective agreement between SALGA and IMATU/SAMVU were amended. Past service costs were incurred in the current valuation period as a result of these amendments to the benefits scheme. Employees are now entitled to receive a long service award after 5 years of service of 5 leave days, and exiting employees are now eligible for pro rata awards. The effect of this amendment has resulted in an additional liability of R1 152 000.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

16. DEFINED EMPLOYEE BENEFIT OBLIGATIONS ...continued

Expected future service and interest costs

Post employment medical aid benefits

Based on the most recent actuarial valuation as at 30 June 2019, the future service cost for the 2019/2020 financial year was established to be R2 470 000, whereas the interest cost is estimated to be R2 987 000 (2018 - R2 399 000 and R2 732 000 respectively).

The municipality expects to make a contribution of R200 000, (2018 - R200 000) to the defined benefit plans during the 2019/2020 financial year.

Long service awards

Based on the most recent actuarial valuation as at 30 June 2019, the future service cost for the 2019/2020 financial year was established to be R1 151 000, whereas the interest cost is estimated to be R837 000 (2018 - R842 000 and R709 000 respectively).

The municipality expects to make a contribution of R966 000, (2018 -R738 000) to the defined benefit plans during the 2019/2020 financial year.

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
Key assumptions used				
Assumptions used at the reporting date:				
Post employment medical aid benefits				
Discount rate	10,30%	10,10%	10,30%	10,10%
Medical aid contribution inflation	8,15%	8,40%	8,15%	8,40%
Net effective discount rate	1,99%	1,57%	1,99%	1,57%
Consumer price inflation (CPI)	6,14%	6,40%	6,14%	6,40%
Long service awards				
Discount rate	8,50%	9,10%	8,50%	9,10%
Normal salary increase rate	5,70%	6,80%	5,70%	6,80%
Net effective discount rate	2,65%	2,15%	2,65%	2,15%
Consumer price inflation (CPI)	4,70%	5,80%	4,70%	5,80%

The expected retirement age for both males and females is 63 years (2018 - 63 years for both females and males).

The basis on which the discount rate and medical aid inflation rate has been determined for 2018/2019 financial year are as follows for post employment medical aid benefits respectively:

The discount rate used in the valuation was determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting best estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post employment benefit obligations.

The estimated discount rate was set equal to the yield on the BESA zero-coupon yield curve with a term of 17 years, the expected duration of the liability based on the current membership data, as at 30 June 2019.

In the past, healthcare cost inflation has typically exceeded the Consumer Price Index ("CPI") by a margin of 1% to 2%. The Bond Exchange of South Africa fits a real yield curve on index-linked bonds. This real yield curve is published together with the BEASSA yield curve on zero-coupon government bond yields, which is a nominal yield curve.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

16. DEFINED EMPLOYEE BENEFIT OBLIGATIONS ...continued

The inflation assumption methodology has been updated to reflect the use of the real and nominal yield curves to determine the inflation assumption as this provides more accurate information on the outlook on inflation at specific durations. Therefore, the best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the healthcare cost inflation assumption.

The CPI inflation assumption using this methodology is 6.14% as at 30 June 2019. Thus, the healthcare cost inflation has been set as 8.15% at the valuation date, after allowing for a margin of 2% over CPI inflation.

The relationship between the gross discount rate and healthcare cost inflation rate is more important than the individual values. The net discount rate is also a highly significant assumption in the respective valuations.

The future medical benefits are projected in line with the healthcare cost inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

The net discount rate therefore depends on the relationship between the gross discount rate and the healthcare cost inflation rate respectively. Using the gross discount and healthcare cost inflation rates as shown above, the resulting net discount rate is 1.99% (calculated as $(1 + \text{discount rate}) / (1 + \text{healthcare cost inflation rate}) - 1$) for the 30 June 2019 valuation.

The basis on which the discount rate and salary inflation has been determined for 2018/2019 financial year are as follows for long service awards respectively:

The discount rate used in the valuation was determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting best estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post employment benefit obligations.

The estimated discount rate was set equal to the yield on the BEASSA zero-coupon yield curve with a term of 7.5 years, the expected duration of the liability based on the current membership data, as at 30 June 2019.

In the past, salary inflation has typically exceeded the Consumer Price Index ("CPI") by a margin of around 2 %.

The Bond Exchange of South Africa fits a real yield curve on index-linked bonds. This real yield curve is published together with the BEASSA yield curve on zero-coupon government bond yields, which is a nominal yield curve.

The inflation assumption methodology has been updated to reflect the use of the real and nominal yield curves to determine the inflation assumption as this provides more accurate information on the outlook on inflation at specific durations. Therefore, the best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 1% was added to this value to determine the salary inflation assumption, prior to further merit increases.

The CPI inflation assumption using this methodology is 4.70% as at 30 June 2019. Thus, the salary inflation has been set as 5.70% at the valuation date, after allowing for a margin of 1% over CPI inflation.

The relationship between the gross discount rate and salary inflation rates are more important than the individual values. The net discount rate is also a highly significant assumption in the respective valuations.

The future long service awards are projected in line with the salary inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

The net discount rate therefore depends on the relationship between the gross discount rate and the salary inflation rate respectively. Using the gross discount and salary inflation rates as shown above, the resulting net discount rate is 2.65% (calculated as $(1 + \text{discount rate}) / (1 + \text{salary inflation rate}) - 1$) for the 30 June 2019 valuation.

Due to the current market conditions, the net discount rate as at 30 June 2019 is positive.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
16. DEFINED EMPLOYEE BENEFIT OBLIGATIONS ...continued				
Other assumptions Assumed healthcare cost trends and salary inflation rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends and salary inflation rates would have the following effects:				
Increase of 1% / (Decrease of 1%)				
Effect on the post employment medical aid - (pemab)	1 393 000	1 075 000	1 393 000	1 075 000
Effect on the aggregate of the service cost and interest cost - (pemab)	283 000	226 000	283 000	226 000
Effect on the post employment medical aid benefit - (pemab)	(1 945 000)	(1 577 000)	(1 945 000)	(1 577 000)
Effect on the aggregate of the service cost and interest cost - (pemab)	(396 000)	(329 000)	(396 000)	(329 000)
Effect on the long service awards - (Isa)	651 831	511 000	651 831	511 000
Effect on the aggregate of the service cost and interest cost - (Isa)	162 000	133 000	162 000	133 000
Effect on the long service awards - (Isa)	(584 169)	(456 000)	(584 169)	(456 000)
Effect on the aggregate of the service cost and interest cost - (Isa)	(141 000)	(118 000)	(141 000)	(118 000)

Defined benefits obligation

An amount of R113 479 (2018 - R76 127) and R24 902 449 (2018 - R20 016 817) for the entity and municipality was contributed towards employment retirement funding. These contributions have been expensed. The Zululand Joint Provident Fund had received a notice of exemption for further valuations per notice number 12/8/37666.

A service benefit in the form of participation in the Zululand Provident Fund (Uthungulu District Municipality) was in existence, whereby the municipality and employees co-contributed towards a provident fund. During the course of previous years, pursuant to ongoing and prior engagements with relevant stakeholders, the municipality ceased participation therein in October 2015. The fund had by 30 June 2016 initiated the appropriate liquidation processes as legislated. A liquidator was duly appointed, the fund liquidated and the draft preliminary accounts were submitted to the Financial Services Board (FSB) on 31 January 2017. The FSB approval was received on 31 January 2017 and advertisements informing members and former members of the funds liquidation had been placed in newspapers. Benefits payments commenced at the beginning of May 2017 and during the 2018/2019 financial year an unclaimed benefit remained. The applications to transfer the unclaimed benefits from the fund to the unclaimed benefit fund have been signed by the administrator however, payment of one unclaimed benefit remained outstanding as the former member's tax reference number was not known to the administrator. The tax details have since been advised and the administrator is in the process of transferring the one remaining unclaimed benefit to an unclaimed benefits fund.

Upon the completion of the latter transfer, the finalisation of the liquidation, closure of accounts and the cancellation application will be submitted to the Financial Sector Conduct Authority (FSCA).

Due to the fact that the fund is in liquidation, no financial statements are required by the FSCA.

Municipal employees have since joined the Old Mutual Group Life scheme from 1 November 2015 which includes family cover, life insurance and group income protection. The municipality and employee each contribute to the scheme based on a percentage of the employees pensionable earnings.

Description of Fund	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000
Government Employees Pension Fund	March 2018	1 835 264	1 835 264
KwaZulu-Natal Joint Municipal Provident Fund	March 2018	4 263 275	4 263 275
Natal Joint Municipal Pension Fund (Superannuation Fund)	March 2018	11 800 220	11 800 220
Natal Joint Municipal Pension Fund (Retirement)	March 2018	4 124 799	4 124 799

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

17. PROVISIONS

Group and Municipality Reconciliation of provisions - June 2019	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of refuse landfill site	73 569 215	1 586 048	-	75 155 263
Performance bonus	738 079	853 103		1 591 182
	74 307 294	2 439 151	-	76 746 445

Reconciliation of provisions - June 2018	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of refuse landfill site	70 333 859	3 235 356	-	73 569 215
Performance bonus	860 475	447 256	(569 652)	738 079
	71 194 334	3 682 612	(569 652)	74 307 294

	2019	2018
Non-current liabilities	75 155 263	73 569 215
Current liabilities	1 591 182	738 079
	76 746 445	74 307 294

Performance bonuses are usually paid after the financial year end in arrears as the assessment of eligible employees only takes place after the year. The assessment for the 2017/2018 financial year had not been finalised at 30 June 2019, thus the provision is for two financial years. Provision has been made for all managers with exception of the Municipal Manager and the Chief Operating Officer as the incumbents to the positions have not been in the employ of the municipality for a period greater than three quarters of the current year. Refer to note 25 for individual performance bonus payout's to section 57/56 managers in 2017/2018.

In terms of licensing of the landfill refuse site, the provision for the rehabilitation costs was R75.1 million as at 30 June 2019 to restore the remaining portions of the old Empangeni and Cell 1 refuse sites at the end of their useful lives. Provision has been made at best estimate determined by a professional engineer at a cost for the current solid waste (Cell 1 & Cell 2) and the old Empangeni Site. Rehabilitation will take place as cells are fully utilised and per the site design of the cells which at the current used footprint is expected to be October 2029. The expected timing is subject to any significant changes to waste strategies of major customers.

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
18. REVENUE FROM EXCHANGE TRANSACTIONS - SERVICE CHARGES				
Sale of water	53 138 355	48 901 753	53 138 355	48 901 753
Solid waste revenue	26 218 252	20 505 111	26 218 252	20 505 111
Sanitation revenue	7 569 424	7 939 034	7 569 424	7 939 034
Cemetery revenue	217 111	224 811	217 111	224 811
Air quality licenses	40 000	20 000	40 000	20 000
	87 183 142	77 590 709	87 183 142	77 590 709

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
19. REVENUE FROM EXCHANGE TRANSACTIONS - RENTAL INCOME				
Parking rental	56 506	53 198	56 506	53 198
Income from the uThungulu Financing Partnership			-	446 974
	56 506	53 198	56 506	500 172
2018/2019				
The Sub-Lease agreement with the Uthungulu Financing Partnership terminated on 1 October 2018 in accordance with the terms and conditions of the said agreement, with the last distribution being received in 2017/2018.				
20. REVENUE FROM EXCHANGE TRANSACTIONS - INTEREST RECEIVED				
Bank accounts	11 412 673	12 345 415	11 373 930	12 298 934
Outstanding debtors	1 709 971	2 190 416	1 709 971	2 190 416
External investments	27 884 427	32 149 626	27 884 427	32 149 626
	41 007 071	46 685 457	40 968 328	46 638 976
21. REVENUE FROM NON EXCHANGE TRANSACTIONS - TRANSFERS AND SUBSIDIES				
Operating grants				
Levy Replacement Grant	249 115 000	241 742 999	249 115 000	241 742 999
Equitable Share	227 727 000	211 987 001	227 727 000	211 987 001
Department of Co-operative Governance	68 792 609	71 541 792	68 792 609	71 541 792
KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs	300 000	828 705	300 000	828 705
Department of Water and Sanitation	15 827 680	124 326 695	15 827 680	124 326 695
Department of Public Works Grant	7 762 000	5 032 000	7 762 000	5 032 000
National Treasury	1 235 568	1 457 000	1 235 568	1 457 000
Department of Sport and Recreation	3 813	-	3 813	-
Department of Transport	2 528 000	2 524 039	2 528 000	2 524 039
KwaZulu-Natal Department of Economic Development Tourism and Environmental Affairs	1 436 739	2 363 260	1 436 739	2 363 260
Capital grants				
Department of Water and Sanitation	101 739 208	49 463 296	101 739 208	49 463 296
Department of Co-operative Governance	97 110 472	96 905 686	97 110 472	96 905 686
KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs	1 500 000	-	1 500 000	-
	775 078 089	808 172 473	775 078 089	808 172 473

Summary of grants per funder

Levy Replacement Grant

Regional council levies have been discontinued as from 30 June 2006, and the national fiscus has allocated a levy replacement grant to the district municipalities. The levy replacement grant is an interim measure to ensure the financial stability of the district municipalities while National government is currently defining the overall fiscus streams to local government.

Equitable share

In terms of the Constitution, this grant is unconditional and is used to subsidise the provision of basic services to the community. These subsidies includes 6 kilolitre free basic water per household to the entire district with the exception of KZ 282.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
21. REVENUE FROM NON EXCHANGE TRANSACTIONS - TRANSFERS AND SUBSIDIES ...continued				
Department of Co-operative Governance				
Current - year receipts: MIG	167 200 000	173 938 000	167 200 000	173 938 000
Allocation of debtor from prior year: MIG	(1 296 919)	(6 787 440)	(1 296 919)	(6 787 440)
Conditions met - transferred to revenue: MIG	(165 903 081)	(168 447 479)	(165 903 081)	(168 447 479)
Debtor: MIG - refer to note 5	-	1 296 919	-	1 296 919
	-	-	-	-
This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas.				
Department of Water and Sanitation				
Balance unspent at beginning of year: WSIG	-	14 326 695	-	14 326 695
Conditions met - transferred to revenue - approved rollover from prior year: WSIG	-	(14 326 695)	-	(14 326 695)
Current - year receipts: WSIG	88 300 000	110 000 000	88 300 000	110 000 000
Conditions met - transferred to revenue: WSIG	(64 887 177)	(110 000 000)	(64 887 177)	(110 000 000)
Allocation of debtor from prior year: RBIG	-	(16 946 704)	-	(16 946 704)
Current-year receipts: RBIG	120 000 000	66 410 000	120 000 000	66 410 000
Conditions met - transferred to revenue: RBIG	(52 679 711)	(49 463 296)	(52 679 711)	(49 463 296)
	90 733 112	-	90 733 112	-
Conditions still to be met - remain liabilities (see note 22)				
These grants are used for:				
<ul style="list-style-type: none"> water infrastructure and sanitation projects; drought relief and disaster relief programmes, and to reduce water and sanitation backlogs and sustain water and sanitation infrastructure. 				
Department of Public Works Grants				
Current - year receipts: EPWP	7 762 000	5 032 000	7 762 000	5 032 000
Conditions met - transferred to revenue: EPWP	(7 762 000)	(5 032 000)	(7 762 000)	(5 032 000)
	-	-	-	-
This grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised. The following areas have been identified:				
<ul style="list-style-type: none"> basic services infrastructure, including water and sanitation reticulation; parks and beautification; sustainable land based livelihoods, and social services programmes. 				
National Treasury				
Current - year receipts: FMG	1 000 000	1 250 000	1 000 000	1 250 000
Conditions met - transferred to revenue: FMG	(1 000 000)	(1 250 000)	(1 000 000)	(1 250 000)
Current - year receipts: LG SETA	397 625	207 000	397 625	207 000
Conditions met - transferred to revenue: LG SETA	(235 568)	(207 000)	(235 568)	(207 000)
	162 057	-	162 057	-
Conditions still to be met - remain liabilities (see note 22)				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
21. REVENUE FROM NON EXCHANGE TRANSACTIONS - TRANSFERS AND SUBSIDIES ...continued				
National Treasury Financial Management grant is used for:				
<ul style="list-style-type: none"> to promote and support reforms to municipal financial management, and the implementation of the Municipal Finance Management Act (Act no. 56 of 2003). 				
Local Government Sector Education Training Authority grants are used for:				
<ul style="list-style-type: none"> the up-skilling of municipal staff through various training interventions. 				
The unspent amount of R162 057 was received from SETA in April 2019 which is after the municipal adjustments budget. The funding is required to be included into the approved budget in order for spending to occur. In this regard the amount will be brought into the 2019/2020 budget.				
KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs				
Balance unspent at beginning of the year: Drought relief	1 500 000	-	1 500 000	-
Conditions met - transferred to revenue - approved rollover from prior year: drought relief	(1 500 000)	-	(1 500 000)	-
Balance unspent at beginning of the year: Planning Shared Services	-	128 705	-	128 705
Conditions met - transferred to revenue - approved rollover from prior year: Planning shared services	-	(128 705)	-	(128 705)
Current - year receipts: Planning Shared Services	300 000	400 000	300 000	400 000
Conditions met - transferred to revenue: Planning Shared Services	(300 000)	(400 000)	(300 000)	(400 000)
Current - year receipts: District Growth Development Summit	-	300 000	-	300 000
Conditions met - transferred to revenue: District Growth Development Summit	-	(300 000)	-	(300 000)
Current - year receipts: Drought Relief	-	1 500 000	-	1 500 000
Current year receipts: Feasibility study to establish a district shared legal service	1 000 000	-	1 000 000	-
Current year receipts: Expanded Richards Bay Industrial Development Zone	1 000 000	-	1 000 000	-
	2 000 000	1 500 000	2 000 000	1 500 000
Conditions still to be met - remain liabilities (see note 22)				
These grants are used:				
<ul style="list-style-type: none"> to build capacity within the district in order to perform functions as per legislature; for disaster programmes, fire fighting equipment, water service delivery planning, shared services unit and infrastructure; to supply portable water to specific areas per agreements, and to provide for identified feasibility studies and expansion plans. 				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
21. REVENUE FROM NON EXCHANGE TRANSACTIONS - TRANSFERS AND SUBSIDIES ...continued				
Department of Sport and Recreation				
Balance unspent at beginning of year	3 813	3 813	3 813	3 813
Conditions met - transferred to revenue	(3 813)	-	(3 813)	-
	-	3 813	-	3 813
Conditions still to be met - remain liabilities (see note 22)				
The grant received from the Department of Sport and Recreation is used to develop sporting codes within the district. The grant is spent in accordance with the approved business plan.				
Department of Transport				
Balance unspent at beginning of year	-	1 041	-	1 041
Conditions met - transferred to revenue - approved roll over from prior year	-	(1 041)	-	(1 041)
Current - year receipts: RRAMS	2 528 000	2 523 000	2 528 000	2 523 000
Conditions met - transferred to revenue: RRAMS	(2 528 000)	(2 523 000)	(2 528 000)	(2 523 000)
	-	-	-	-
The Department of Transport grant is used to co-ordinate Rural Roads Asset Management Systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.				
KwaZulu-Natal Department of Economic Development Tourism and Environmental Affairs				
Balance unspent at the beginning of the year	1 436 740	2 500 000	1 436 740	2 500 000
Conditions met transferred to revenue - approved roll over from prior year	(1 436 740)	(2 363 260)	(1 436 740)	(2 363 260)
Current-year receipts	-	1 300 000	-	1 300 000
	-	1 436 740	-	1 436 740
Conditions still to be met - remain liabilities (see note 22)				
The grant received from the Department of Economic Development Tourism and Environmental Affairs is for the development of environmental framework plan and essential oils programmes.				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
22. UNSPENT TRANSFERS AND SUBSIDIES				
Unspent conditional transfers and subsidies comprises of:				
Unspent conditional transfers and subsidies				
KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs	2 000 000	1 500 000	2 000 000	1 500 000
National Treasury	162 057		162 057	
Department of Water and Sanitation	90 733 112	-	90 733 112	-
Department of Sport and Recreation	-	3 813	-	3 813
KwaZulu-Natal Department of Economic Development Tourism and Environmental Affairs	-	1 436 740	-	1 436 740
	92 895 169	2 940 553	92 895 169	2 940 553
23. REVENUE FROM EXCHANGE TRANSACTIONS - SALE OF FRESH PRODUCE				
Sale of goods	18 118 306	22 386 694		
The comparative figure for the group has been restated by an amount of R115 712 from R22 502 406 to R22 386 694. Refer to note 44.				
24. REVENUE FROM EXCHANGE TRANSACTIONS - OTHER INCOME				
Dividends	3 544	3 294	3 544	3 294
Tender deposits and sale of maps	117 800	801 659	117 800	801 659
Insurance claim proceeds	2 002 546	1 857 512	2 002 546	1 857 512
Bursary and SETA refunds	67 105	286 635	67 105	286 635
Administrative fees	48 140	261 698	48 140	261 698
	2 239 135	3 210 798	2 239 135	3 210 798

Dividends

The municipality was one of numerous municipalities who became shareholders in Sanlam Limited as a result of a demutualisation process undertaken by Sanlam Limited in 1998. The municipality was not aware of the allocation of the shares until Sanlam Limited issued a notice for untraceable shareholders. National Treasury through correspondence notified municipalities that Sanlam Limited issued a notice of untraceable shareholders in 2016/2017. In this regard the municipality was issued 1136 shares. Refer to note 12 which outlines the shares.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
25. EMPLOYEE RELATED COSTS				
Employee related costs - salaries and wages	164 836 842	138 272 125	161 263 638	133 307 788
Employee related costs - contributions for UIF, pensions and medical aid	34 207 754	30 391 427	34 104 463	30 229 007
Travel and vehicle allowances	15 800 798	14 738 210	15 800 798	14 723 266
Overtime and relief payments	6 902 519	7 690 798	6 902 519	7 501 615
Housing benefits and other allowances	2 714 366	2 851 512	2 714 366	2 851 512
Defined employee benefits obligations: post-employment medical aid benefit and long service awards	4 223 876	1 569 000	4 223 876	1 569 000
	228 686 155	195 513 072	225 009 660	190 182 188
The groups comparative figures for employee related costs has been restated by an amount of R406 543 from R195 919 615 to R195 513 072 - refer to note 44.				
Included in employee related costs above are the following salaries, allowances and benefits for the Municipal Manager and Deputy Municipal Managers:				
King Cetshwayo District Municipality				
Remuneration of Municipal Manager				
Annual remuneration	990 834	-	990 834	-
Back pay	141 548	-	141 548	-
Performance bonuses	-	164 896	-	164 896
Contributions to UIF and other	1 102	149	1 102	149
	1 133 484	165 045	1 133 484	165 045
2018/2019				
The Municipal Manager position was filled in the 2018/2019 financial year. The incumbent commenced duties on 1 November 2018.				
2017/2018				
The contract of the Municipal Manager ended on 30 June 2017 and the incumbent received a performance bonus for the performance outputs achieved in the 2016/2017 financial year, which was paid in the year.				
Remuneration of Deputy Municipal Manager - Technical Services				
Annual remuneration	1 150 241	368 654	1 150 241	368 654
Acting allowance	51 094	56 817	51 094	56 817
Back pay	418 616	-	418 616	-
Contributions to UIF, medical aid and other	1 890	12 158	1 890	12 158
	1 621 841	437 629	1 621 841	437 629

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
25. EMPLOYEE RELATED COSTS ...continued				
2018/2019				
In the year under review an acting allowance of R51 094 was paid to an incumbent for duties pertaining to the Municipal Manager position for the period 1 July 2018 to 30 October 2018. The position of Municipal Manager was subsequently filled on 1 November 2018. Back pay as approved by Council on 13 December 2018 (KCDMC:1707/2018) was paid to the Deputy Municipal Manager Technical Services in order to align his salary to that of all Section 56 managers. The back pay is for five (5) months of 2017/2018 and six (6) months of 2018/2019.				
2017/2018				
In the year an acting allowance of R56 817 was paid to an incumbent for duties pertaining to the Deputy Municipal Manager: Technical services position. The position was subsequently filled on 1 February 2018.				
Remuneration of Deputy Municipal Manager - Corporate Services				
Annual remuneration	298 479	1 141 410	298 479	1 141 410
Annual bonus	82 911	95 118	82 911	95 118
Acting allowance	67 493	30 945	67 493	30 945
Travel allowance	91 202	348 764	91 202	348 764
Performance bonuses	-	104 937	-	104 937
Contributions to UIF and other	621	1 884	621	1 884
	540 706	1 723 058	540 706	1 723 058
2018/2019				
In the year under review the position of Deputy Municipal Manager Corporate Services became vacant on 1 October 2018 and an acting allowance of R67 493 was paid to an incumbent for fulfilling the duties pertaining to the Deputy Municipal Manager Corporate Services Department.				
2017/2018				
In the year an acting allowance of R30 945 was paid to an incumbent for fulfilling the duties pertaining to the Deputy Municipal Manager Corporate Services Department.				
Remuneration of Deputy Municipal Manager - Financial Services				
Annual remuneration	1 160 758	1 109 711	1 160 758	1 109 711
Acting allowance	-	61 660	-	61 660
Travel allowance	498 219	483 901	498 219	483 901
Performance bonuses	-	149 909	-	149 909
Contributions to UIF and other	1 890	1 950	1 890	1 950
	1 660 867	1 807 131	1 660 867	1 807 131
2017/2018				
In the year an acting allowance of R61 660 was paid to the incumbent for fulfilling the duties pertaining to the Municipal Manager which had been vacant from 1 July 2017. The incumbent acted for the period 1 January 2018 to 30 June 2018.				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
25. EMPLOYEE RELATED COSTS ...continued				
Remuneration of Deputy Municipal Manager - Planning & Economic Development				
Annual remuneration	995 869	150 662	995 869	150 662
Acting allowance	-	25 872	-	25 872
Back pay	310 449	-	310 449	-
Travel allowance	174 378	-	174 378	-
Contributions to UIF and other	1 890	314	1 890	314
	1 482 586	176 848	1 482 586	176 848
2018/2019				
Back pay as approved by Council on 13 December 2018 (KCDMC:1707/2018) was paid to the Deputy Municipal Manager Planning and Economic Development in order to align her salary to that of all Section 56 managers. The back pay is for two (2) months of 2017/2018 and six (6) months of 2018/2019.				
2017/2018				
In the year an acting allowance of R25 872 was paid to an incumbent for duties pertaining to the Deputy Municipal Manager: Planning and Economic Development position. The position was subsequently filled on 1 May 2018.				
Deputy Municipal Manager - Community Services				
Annual remuneration	1 226 544	1 163 426	1 226 544	1 163 426
Acting allowance	81 177	65 845	81 177	65 845
Travel allowance	235 680	230 299	235 680	230 299
Performance bonuses	-	149 909	-	149 909
Contributions to UIF, medical, pension and other	207 294	195 429	207 294	195 429
	1 750 695	1 804 908	1 750 695	1 804 908
2018/2019				
In the year under review an acting allowance of R81 177 was paid to the incumbent for fulfilling the duties pertaining to the Deputy Municipal Manager Corporate Services Department.				
2017/2018				
In the year an acting allowance of R65 845 was paid to the incumbent for fulfilling the duties pertaining to the Municipal Manager which had been vacant from 1 July 2017. The incumbent acted for the period 1 July 2017 to 31 December 2017.				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
25. EMPLOYEE RELATED COSTS ...continued				
Chief Operating Officer				
Annual Remuneration	835 160	-	835 160	-
Travel allowance	120 000	-	120 000	-
Contributions to UIF, medical and pension funds	151 587	-	151 587	-
Arbitration award	3 118 556	-	3 118 556	-
	4 225 293	-	4 225 293	-
2018/2019				
An arbitration award amounting to R3 118 556 was made by the South African Local Government Bargaining Council in favour of a staff member. The subsequent result of the award was reinstatement of the staff member to an equivalent position and the back pay of salary.				
King Cetshwayo Fresh Produce Market (Pty) Ltd				
Remuneration of Chief Executive Officer				
Annual remuneration	100 000	1 107 886		
Performance bonuses	-	94 576		
Contributions to UIF, medical and pension funds	-	3 910		
	100 000	1 206 372		
2018/2019				
The Chief Executive Officer was employed for the period from January 2018 to August 2018, and thereafter the District municipality's Accounting Officer was appointed as the Accounting Authority of the entity.				
Remuneration of Chief Finance Officer				
Annual remuneration	495 687	508 692		
Acting allowance	-	14 944		
Performance bonuses	-	70 337		
Contributions to UIF, medical and pension funds	-	2 550		
	495 687	596 523		
26. REMUNERATION OF COUNCILLORS				
Mayor	931 578	868 112	931 578	868 112
Deputy Mayor	666 581	692 829	666 581	692 829
Speaker	758 870	722 002	758 870	722 002
Chief Whip	712 974	675 084	712 974	675 084
MPAC Chair	665 847	633 648	665 847	633 648
Executive Committee	4 055 945	4 302 466	4 055 945	4 302 466
Councillors	2 900 556	2 900 918	2 900 556	2 900 918
Councillors' pension contribution	987 132	983 038	987 132	983 038
	11 679 483	11 778 097	11 679 483	11 778 097

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

26. REMUNERATION OF COUNCILLORS ...continued

In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip, MPAC Chair and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council, which is included with other expenditure in the statement of financial performance. The Mayor, Deputy Mayor and Speaker have the use of a Council owned vehicle together with a driver for official duties and security. Furthermore personal security is provided for some Exco and Council members based on security assessments, as outlined in the Government Gazette on the determination of the upper limits of salaries, allowances and benefits of municipal councils.

In the year under review, an Exco member passed away in August 2018 and the vacancy was filled in December 2018. In addition and subsequent to the National elections held on 8 May 2019, two members of the Councils Executive committee resigned on 15 May 2019 and 17 May 2019 to take up posts as members of Parliament.

	Remuneration R	Cellular Allowance R	Sitting Allowance R	Backpay R	Travel R
2018/2019					
Mayor (NNP Mkhulisi)	890 778	40 800	-	17 466	-
Chief Whip (IT Gcabashe)	672 174	40 800	-	13 100	1 912
Deputy Mayor (AH Mthembu)	630 717	35 865	-	13 973	2 046
MPAC Chairperson (N Naidoo)	625 047	40 800	-	12 256	-
Speaker (KER Hadebe)	718 070	40 800	-	13 973	1 767
EXCO					
ES Mbatha	648 026	40 800	-	12 626	53 347
IJ Naidoo	690 318	40 800	-	13 100	-
PG Dlolane	67 209	3 948	-	-	-
TVB Mchunu	590 445	35 645	-	13 100	93
CPG Cele	668 082	40 800	-	13 100	-
JD Vilakazi	673 318	40 800	-	13 100	4 485
FC Xulu	424 746	23 800	-	2 183	4 177
Councillors					
MM Ngobese	271 708	40 800	-	5 327	-
NC Mthlane	281 897	40 800	-	5 527	31 620
JM Mathaba	281 897	40 800	-	5 527	-
TO Ndhlela	281 897	40 800	-	5 527	-
M Mtshali	281 897	40 800	-	5 527	20 935
BN Buthelezi	160 716	23 800	-	888	-
FC Xulu	116 994	17 000	-	5 105	-
SW Mgenge	-	-	9 302	245	-
ZD Mfusi	-	-	17 666	367	-
XM Bhengu	55 368	-	-	1 271	26 859
MG Mhlongo	-	-	12 403	245	-
SG Mkhize	-	-	19 747	326	-
M Lourens	-	-	30 192	449	-
DJ Ndimande	-	-	16 646	245	-
KD Sibiya	-	-	14 606	245	-
KE Ndlovu - Nkosi	-	-	16 606	367	279

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Remuneration R	Cellular Allowance R	Sitting Allowance R	Backpay R	Travel R	
26. REMUNERATION OF COUNCILLORS ...continued						
Councillors ...continued						
JZ Mabuyakhulu	-	-	15 463	408	17 600	
EM Masikane	-	-	15 545	326	-	
CG Mkhulise Khumalo	-	-	23 909	408	14 020	
SP Mthembu	-	-	19 706	408	186	
TB Zulu	-	-	7 344	82	-	
CT Dlamini	-	-	17 666	286	-	
BP Simelane	-	-	13 464	286	-	
NL Ngidi	-	-	21 828	367	12 222	
MJ Xulu	-	-	16 646	245	-	
NR Xulu	-	-	21 828	408	5 397	
TF Nxumalo	53 021		-	3 619	-	
SS Cele	55 550		-	1 089	-	
PT Mbatha	-		31 171	530	-	
NPN Magubane	27 231		10 608		10 239	
FM Thusi	23 600		12 322	21 085	14 373	
Section 81						
BS Mthembu			8 750	-		
MM Mkhwanazi			3 500	-		
V Biyela			10 500	-		
ZD Mpungose			1 750	-		
VT Dube			10 500	-		
MT Zuma			5 250	-		
	9 190 706	670 458	404 920	204 711	221 556	11 679 483
2017/2018						
Mayor (NNP Mkhulisi)	852 518	34 800	-	26 793	-	
Chief Whip (IT Gcabashe)	643 284	31 800	-	24 595	12 873	
Deputy Mayor (AH Mthembu)	688 528	34 800	-	22 634	1 395	
MPAC Chairperson (N Naidoo)	601 848	31 800	-	23 509	-	
Speaker (KER Hadebe)	687 202	34 800	-	24 773	-	
EXCO						
ES Mbatha	468 907	26 100	-	29 408	10 779	
IJ Naidoo	661 767	31 800	-	24 595	-	
X Ngwezi	-	-	-	-	3 795	
PG Dlolane	643 284	31 800	-	24 595	30 301	
TVB Mchunu	648 486	31 800	-	24 595	10 291	
CPG Cele	639 783	31 800	-	24 595	7 814	
JD Vilakazi	638 598	31 800	-	24 595	46 667	

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Remuneration R	Cellular Allowance R	Sitting Allowance R	Backpay R	Travel R	
26. REMUNERATION OF COUNCILLORS ...continued						
Councillors						
NN Ngobese	258 842	31 800	-	16 539	-	
NC Mthlane	268 548	31 800	-	16 822	15 225	
JM Mathaba	268 548	31 800	-	16 822	-	
ES Mbatha	66 136	5 700	-	-	1 722	
TO Ndhlela	268 548	31 800	-	16 822	2 739	
M Mtshali	268 548	31 800	-	16 822	19 859	
FC Xulu	303 574	29 900	-	34 082	-	
SW Mgege	-	-	20 666	464	-	
ZD Mfusi	-	-	24 804	696	-	
XM Bhengu	59 993	-	-	-	13 076	
BM Mkhize	55 454	-	-	-	-	
MG Mhlango	-	-	12 912	232	-	
SG Mkhize	-	-	16 760	290	-	
MW Mthenjana	-	-	16 528	-	-	
M Laurens	-	-	33 636	696	895	
DJ Ndimande	-	-	26 844	580	-	
KD Sibiya	-	-	20 840	522	-	
KE Ndlovu - Nkosi	-	-	20 956	406	279	
JZ Mabuyakhulu	-	-	23 842	580	46 612	
EM Masikane	-	-	18 012	348	-	
CG Mkhulise Khumalo	-	-	24 688	522	25 352	
SP Mthembu	-	-	26 786	580	558	
TB Zulu	-	-	9 852	232	-	
CT Dlamini	-	-	23 784	464	-	
BP Simelane	-	-	15 914	290	-	
NL Ngidi	-	-	25 882	522	-	
MJ Xulu	-	-	21 918	522	-	
NR Xulu	-	-	22 706	-	9 732	
TF Nxumalo	49 402	-	-	-	1 788	
SS Cele	51 510	-	-	2 951	-	
MN Mthombeni	25 689	-	-	5 248	1 956	
PT Mbatha	-	-	2 040	-	-	
NPN Magubane	-	-	4 538	-	-	
Section 81						
BS Mthembu	-	-	15 750	-	-	
MM Mkhwanazi	-	-	3 500	-	-	
V Biyela	-	-	10 500	-	-	
ZD Mpungose	-	-	3 500	-	-	
VT Dube	-	-	3 500	-	-	
MT Zuma	-	-	5 250	-	-	
	9 118 998	547 700	455 908	408 743	263 709	11 778 097

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
27. REMUNERATION OF BOARD OF DIRECTORS				
King Cetshwayo Fresh Produce Market (Pty) Ltd				
Ms T. Shange - Chairperson	134 000	96 482		
Dr S. Mazibuko - Deputy Chairperson	-	85 225		
Prof S. Mtshali	51 316	99 747		
Mr M. Zungu	-	56 179		
Mr I. Madiba	-	58 011		
Ms T. Nene	-	29 461		
Ms A.H. Mthembu	-	9 735		
	185 316	434 840		
2018/2019				
In the year under review the Council resolved in terms of Section 93(G) of the Municipal Systems Act No. 117 of 1998 to withdraw the services of the Board of Directors of the entity, King Cetshwayo Fresh Produce Market (Pty) Ltd.				
28. DEPRECIATION, AMORTISATION AND IMPAIRMENT				
Property, plant and equipment	84 378 464	69 612 918	73 975 801	69 095 018
Intangible assets	891 912	774 129	775 079	675 994
	85 270 376	70 387 047	74 750 880	69 771 012
Depreciation, amortisation and impairment for the group and municipality has been restated by an amount of R467 010 from R69 920 037 to R70 387 047 and R69 063 697 to R69 771 012 respectively - refer to note 44.				
29. FINANCE COSTS				
Interest paid - long term liabilities	5 322 141	5 990 347	5 322 141	6 432 319
Finance charges relate to the two annuity loans currently held with ABSA and INCA with balances of R24 979 601 (2017/2018 - R28 393 087) and R13 553 713 (2017/2018 - R16 068 568) as at 30 June 2019 respectively.				
30. BULK PURCHASES				
Water	39 200 886	47 254 675	39 200 886	47 254 675
In the year under review the municipality had lodged a dispute with the bulk water service provider regarding the tariff being applied to the municipality account. In this regard included in the amount of R39 200 886 reflected, the service provider's invoices have been recorded at a lower tariff as outlined in the service provider tariff schedule. The dispute has not yet been resolved however both parties are engaging on the matter. A contingent liability has been recorded on note 42.				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
31. CONTRACTED SERVICES				
Outsourced Services				
Burial services	386 968	228 210	386 968	228 210
Business and advisory	1 469 583	1 283 420	1 469 583	1 283 420
Catering services	4 957 925	5 824 771	4 957 925	5 824 771
Call centre	1 664 872	1 634 535	1 664 872	1 634 535
Cleaning services	30 500	-	30 500	-
Hygiene services	43 665 607	109 777 556	43 665 607	109 777 556
Internal auditors	2 290 184	2 260 299	2 290 184	2 260 299
Meter management	18 018	695 511	18 018	695 511
Medical services (medical health services and support)	82 128	91 800	82 128	91 800
Outsourced services KCFPM	667 105	490 958		
Professional staff	1 037 643	677 888	1 037 643	677 888
Security services	4 803 784	4 470 355	4 803 784	4 470 355
Transport services	612 053	318 583	612 053	318 583
Consultants and Professional Services				
Business and advisory	4 277 619	8 133 104	4 277 619	8 133 104
Infrastructure and planning	15 443 080	14 017 978	15 443 080	14 017 978
Laboratory services	72 500	96 800	72 500	96 800
Legal cost	4 648 697	2 254 574	4 648 697	2 254 574
Consultants and Professional Services KCFPM	510 497	802 667		
Contractors				
Artists and performers	1 098 833	985 950	1 098 833	985 950
Auctioneers	114 000	-	114 000	-
Event promoters	2 982 750	1 841 338	2 982 750	1 841 338
Fire protection	705 397	632 665	705 397	632 665
Fire services	86 865	198 219	86 865	198 219
Inspection fees	133 662	271 153	133 662	271 153
Maintenance and operations	206 618 598	162 408 089	206 618 598	162 408 089
Transportation	57 613 058	54 566 623	57 613 058	54 566 623
Safeguard and security	5 266 330	4 633 326	5 266 330	4 633 326
Sports and recreation	100 000	104 000	100 000	104 000
Stage and sound crew	566 675	592 730	566 675	592 730
Exhibit installations	376 296	320 083	376 296	320 083
	362 301 227	379 613 185	361 123 625	378 319 560
The comparative figure for contracted services for the group and municipality has been restated by an amount of R61 376 and R43 002 from R379 551 809 to R379 613 185 and R378 276 558 to R378 319 560 respectively - refer to note 44.				
32. TRANSFERS AND SUBSIDIES				
KZ 282 uMhlathuze Municipality	130 000	-	130 000	-
Transfers to organisations	5 125 000	4 344 219	5 125 000	4 344 219
KZ 284 Umlalazi Municipality	100 000	80 000	100 000	80 000
KZ 281 Umfolozi Municipality	-	695 500	-	695 500
King Cetshwayo Fresh Produce Market (Pty) Ltd			14 000 000	6 400 000
	5 355 000	5 119 719	19 355 000	11 519 719

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
33. OPERATIONAL COSTS				
Achievements and awards	50 539	32 835	50 539	32 835
Advertisements and publicity	6 667 073	7 645 717	6 655 067	7 645 717
Archives	241 345	74 995	241 345	74 995
Bank charges	251 684	201 014	184 838	181 103
Bursaries	798 139	742 533	798 139	742 533
Courier and delivery services	39 045	27 440	39 045	27 440
Deeds	15 371	10 651	15 371	10 651
Delegations	283 698	807 156	283 698	807 156
External audit fees	4 442 323	3 617 329	3 827 583	2 895 361
Fines and penalties	43 573	-		
Insurance	4 934 786	3 203 591	4 934 786	3 149 067
Inventory - materials and supplies	9 544 104	12 685 490	9 495 820	12 551 741
Inventory consumable stores	6 540 092	4 873 251	6 448 222	4 788 225
IT expenses	31 744	73 556		
Landfill site rehabilitation	1 586 048	3 235 361	1 586 048	3 235 361
Learner ships and internships	10 171			
Licenses	4 178 621	3 974 795	4 178 621	3 974 795
Municipal services	37 505 190	30 934 320	37 087 649	30 590 305
Operating leases	27 374 403	25 060 902	27 374 403	25 060 902
Personal protective equipment	908 331	1 277 037	908 331	1 277 037
Personnel agency fees	566 201	264 678	566 201	264 678
Postage	519 503	513 358	519 503	513 358
Printing and stationery	75 285	99 594		
Professional and regulatory bodies fees	2 869 614	2 567 687	2 867 114	2 567 029
Refreshments	4 938	33 342		
Resettlement costs	-	9 134	-	9 134
Skills development levy	1 794 065	1 600 183	1 794 065	1 600 183
Small tools	183 808	126 409	183 808	126 409
Subsistence and travelling	8 363 618	6 813 123	8 325 291	6 737 563
Telephone	3 321 326	3 449 659	3 301 779	3 429 449
Vehicle tracking services	4 684	6 776	4 684	6 776
	123 149 322	113 961 915	121 671 950	112 299 803
The groups operational costs has been restated by an amount of R185 164 from R114 147 079 to R113 961 915 - refer to note 44.				
34. LEASE RENTALS				
Premises	10 000	-		
Motor vehicles	183 026	243 876		
	193 026	243 876		
These rentals are attributable to the King Cetshwayo Fresh Produce Market (PTY) Ltd.				
The groups comparative amount for lease rentals has been restated by an amount of R4 383 from R248 259 to R243 876 - refer to note 44.				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
35. PURCHASING OF PRODUCE AND DISTRIBUTION COST				
Purchase of produce	12 211 077	15 274 540		
Distribution costs	6 284 896	7 301 547		
	18 495 973	22 576 087		
The groups comparative amount for the purchase of produce has been restated by an amount of R325 457 from R14 949 083 to R15 274 540.				
The groups comparative amount for distribution costs has been restated by an amount of R393 833 from R7 695 380 to R7 301 547. Overall adjustment amounts to R68 375.				
36. CASH GENERATED FROM OPERATIONS				
Surplus before outside partners interest adjustment	35 318 269	105 757 419	38 971 784	109 128 184
Adjustments for:	-			
Depreciation, amortisation and impairment	85 270 376	70 387 047	74 750 880	69 771 012
(Gain)/Loss on sale of property, plant and equipment	(219 343)	1 081 313	(265 883)	1 081 313
Debt impairment	8 753 607	5 317 989	8 753 607	5 317 989
Movements in defined employee benefit obligations	4 223 876	1 569 000	4 223 876	1 569 000
Movement in provisions	2 439 151	3 112 960	2 439 151	3 112 960
Fair value adjustments	(9 190)	(5 987)	(47 933)	(42 952)
Changes in working capital:		-		
Inventories	149 606	(262 243)	149 606	(262 243)
Receivables from non exchange transactions	2 310 581	21 133 995	2 310 581	21 133 995
Other receivables from non-exchange transactions	(246 102)			
Receivables from exchange transactions - consumer debtors	(15 144 417)	(17 932 354)	(10 935 831)	(17 627 845)
Payables from exchange transactions	(25 839 442)	32 525 928	(21 713 037)	27 026 780
Receivables from exchange transactions - VAT	11 884 729	(11 889 680)	11 884 729	(11 889 680)
Unspent transfers and subsidies	89 954 616	(14 019 701)	89 954 616	(14 019 701)
Consumer deposits	46 771	(374 939)	46 771	(374 939)
Non exchange transactions - taxes and transfers payable		(491 011)		
Other non-cash items: Accruals	(7 577 172)	(497 488)	(7 577 172)	(497 485)
	191 315 916	195 412 254	192 945 745	193 426 390

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
37. COMMITMENTS				
Authorised capital expenditure				
Approved and contracted for				
- Infrastructure	466 929 276	336 534 810	466 929 276	336 534 810
This expenditure will be financed from:				
- Government grants	466 516 449	336 534 810	466 516 449	336 534 810
- Own resources	412 827	-	412 827	-
	466 929 276	336 534 810	466 929 276	336 534 810
The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Municipal Manager prior to 30 June 2019.				
38. OPERATING LEASES - AS LESSEE (EXPENSE)				
Minimum lease payments due				
- not later than one year	11 748 625	11 548 603	11 748 625	11 548 603
- later than one year and not later than five years	11 699 493	23 038 311	11 699 493	23 038 311
	23 448 118	34 586 914	23 448 118	34 586 914
Operating lease payments represent payments for the leasing of vehicles and commercial property by the municipality. Lease contracts for vehicles are entered into for a three year period and the lease payments are fixed for the lease period with no escalation. A number of the previous lease agreements were extended in the 2016/2017 financial year via section 116 of the Municipal Finance Management Act on a month to month basis.				
The month to month arrangement ended in 2018/2019 through a phased in delivery period of the new fleet arrangement. The new awarded service provider(KCDM/08/2018) commenced with the provision of vehicles on 1 September 2018. The commercial property leases are for business operations and the lease agreements are usually for a three to four year period. An amount of R27 567 429 and R27 374 403 for the group and municipality respectively has been recognised in the statement of financial performance for the period ended 30 June 2019.				
Refer to note 34 for lease rentals for the King Cetshwayo Fresh Produce Market (PTY) Ltd.				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
39. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS				
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.				
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and reports the said deviations to the next meeting of Council/Board of Directors/Accounting Authority and includes a note to the consolidated annual financial statements. All deviations are reported to Council/ Board of Directors/Accounting Authority on a quarterly basis with a detailed schedule and reasons thereto.				
The deviations greater than R200 000 are listed individually below for the year ended 30 June 2019.				
Project Description				
Training of officials at UKZN - MDP	210 575		210 575	
Extension of contract vehicle hire	602 000		602 000	
Provision of security services	450 479		450 479	
Provision of water tanker services	1 249 366		1 249 366	
Extension of the provision of plant hire services	3 556 768		3 556 768	
Provision of security services	450 479		450 479	
Provision of water tanker services	1 272 985		1 272 985	
Extension of the provision of plant hire services	1 835 997		1 835 997	
Provision of security services	450 479		450 479	
Provision of water tanker services	1 272 985		1 272 985	
Extension of the provision of plant hire services	1 835 997		1 835 997	
Provision of security services	450 479		450 479	
Provision of water tanker services	1 580 943		1 580 943	
Salga games - sports wear	626 175		626 175	
Extension of the provision of plant hire services	3 820 104		3 820 104	
Provision of security services	450 479		450 479	
Provision of water tanker services	1 800 850		1 800 850	
Renewal of software licences - Edocs	283 314		283 314	
Provision of security services	509 044		509 044	
Provision of water tanker services	1 259 503		1 259 503	
Provision of water tanker services	4 376 001		4 376 001	
Salga games - transportation	410 000		410 000	
Provision of car hire services	217 741		217 741	
Provision of security services	509 044		509 044	
Emergency repairs to solid waste site	260 969		260 969	
Provision of water tanker services	1 315 222		1 315 222	
Provision of water tanker services	1 143 368		1 143 368	

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
39. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS ...continued				
Project Description ...continued				
Provision of security services	509 044		509 044	
Extension of the provision of plant hire services	3 317 842		3 317 842	
Provision of security services	509 044		509 044	
Provision of water tanker services	3 113 343		3 113 343	
Provision of water tanker services	3 842 013		3 842 013	
Provision of security services	509 044		509 044	
Extension of contract vehicle hire	320 498		320 498	
Extension of the provision of plant hire services	1 944 805		1 944 805	
Provision of water tanker services	735 731		735 731	
Provision of water tanker services	494 449		494 449	
Provision of water tanker services	1 404 002		1 404 002	
Provision of water tanker services	3 030 683		3 030 683	
Training of officials at SUMMAT - MFMP	232 645		232 645	
Training of officials at SUMMAT - MFMP	209 760		209 760	
Provision of security services	509 044		509 044	
Provision of water tanker services	2 145 653		2 145 653	
Provision of water tanker services	1 049 417		1 049 417	
Provision of services to Melmoth waste treatment works	7 593 957		7 593 957	
Provision of services to Thubalethu sewer reticulation	19 982 628		19 982 628	
Provision of security services	509 044		509 044	
Extension of the provision of plant hire services	330 142		330 142	
Provision of water tanker services	5 507 296		5 507 296	
Provision of water tanker services	386 710		386 710	
Provision of services - IMQS	263 120		263 120	
Provision of furniture	272 406		272 406	
Provision of events related service - Church disaster mass memorial	287 247		287 247	
Extension of the provision of plant hire services	1 168 785		1 168 785	
Provision of security services	509 044		509 044	
Provision of SODA event related services	690 771		690 771	
Provision of water tanker services	6 526 453		6 526 453	
Provision of water tanker services	2 897 855		2 897 855	
Provision of water tanker services	2 017 800		2 017 800	
Provision of water tanker services	509 809		509 809	
Provision of water tanker services	858 643		858 643	
Provision of water tanker services	208 755		208 755	
Management of rural fire emergency services	745 200		745 200	
Provision of water tanker services	3 782 041		3 782 041	
Provision of water tanker services	2 635 917		2 635 917	
Provision of water tanker services	2 152 800		2 152 800	
Purchase of disaster vehicles	1 554 080		1 554 080	
Total deviations less than R 200 000 aggregated	5 530 127		5 530 127	
Entity King Cetshwayo Fresh produce Market (Pty) Ltd	9 964 493			
	129 404 025		119 439 532	

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

40. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICES OF THE STATE

Paragraph 45 of the Municipal Finance Management Act, 2003(Act no. 56 of 2003); Municipal Supply Chain Management Regulations states that the particulars of any award more than R2 000 made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve(12) months must be disclosed as a note in the financial statements.

The details are listed below for the year ended 30 June 2019:

Name of person	T. Jordan
Relation	Spouse
Capacity	Deputy Manager: Development Administration - City of uMhlathuze
Service provider	Audio Computer World
Number of transactions	67
Total amount	R1 017 267

Name of person	IN Mpungose
Relation	Spouse
Capacity	Principal - Hlambane High School
Service provider	Mpungose holdings
Number of transactions	1
Total amount	R 165 000

Name of person	N. Reddy
Relation	Spouse
Capacity	Prosecutor - NPA Verulam Court
Service provider	Fana Manufacturing
Number of transactions	117
Total amount	R 3 686 235

Name of person	Mrs Msomi and Miss Msomi
Relation	Spouse and daughter
Capacity	Department of Education and Ethekwini municipality
Service Provider	Ngubane and Co
Number of transactions	28
Total amount	R 3 358 836

Name of person	Z Buthelezi
Relation	Mother
Capacity	Librarian - Umhlathuze Local Municipality
Service Provider	Zidane Management Trading
Number of transactions	15
Total amount	R 1 114 524

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
41. ADDITIONAL DISCLOSURE IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003				
Contributions to organised local government				
Current year membership fee	2 361 083	1 985 150	2 361 083	1 985 150
Amount paid - current year	(2 361 083)	(1 985 150)	(2 361 083)	(1 985 150)
	-	-	-	-
Audit fees				
Opening balance	323 757	-		
Current year fee	4 435 938	3 678 875	3 781 905	2 859 184
Amount paid - current year	(4 759 095)	(3 355 118)	(3 781 905)	(2 859 184)
Amount paid - previous years		-	-	-
	-	323 757	-	-
The groups comparative amount disclosure has been restated to include the King Cetshwayo Fresh Produce Market's audit fee of R819 691 and audit payment of R495 934.				
PAYE and UIF				
Current year subscription / fee	39 510 908	33 001 052	39 017 235	31 768 532
Amount paid - current year	(39 510 908)	(33 001 052)	(39 017 235)	(31 768 532)
	-	-	-	-
The groups comparative amount disclosure has been restated to include the King Cetshwayo Fresh Produce Market's transactions of R1 232 520 from R31 768 532 to R33 001 052.				
Pension and Medical Aid Deductions				
Current year subscription / fee	30 524 916	25 025 983	30 411 437	24 949 856
Amount paid - current year	(30 524 916)	(25 025 983)	(30 411 437)	(24 949 856)
	-	-	-	-
The groups comparative amount disclosure has been restated to include the King Cetshwayo Fresh Produce Market's transactions of R76 127 from R24 949 856 to R25 025 983.				
VAT				
VAT receivable	48 197 684	59 836 311	47 347 498	59 232 227
The groups comparative amount disclosure has been restated by an amount of R509 923 from R60 346 234 to R59 836 311. Refer to note 44.				
2018/2019				
All VAT 201 returns for the municipality have been submitted by the due date throughout the 12 months. The VAT 201 municipal returns for the months of May 2019 to June 2019 had not yet been settled as at 30 June 2019 by SARS in July 2019.				
2017/2018				
All VAT 201 returns for the municipality have been submitted by the due date throughout the 12 months. The VAT 201 municipal returns for the months of March 2018 to June 2018 had not yet been settled as at 30 June 2018, however the March 2018 return was subsequently settled by SARS in July 2018.				
Councillors arrear consumer accounts				
At the reporting date no Councillor's had arrear accounts outstanding for more than 90 days.				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
42. CONTINGENT LIABILITIES				
A) Future legal fees and other				
1. Ex-employee 1 - legal action pending	600 000	600 000	600 000	600 000
2. Consulting Engineers 1 - legal matter pending	300 000	300 000	300 000	300 000
3. Contractor 1 - legal matter pending	250 000	250 000	250 000	250 000
4. Service provider 1 - legal action pending	40 000	40 000	40 000	40 000
6. Employee 9 - legal matter finalized	-	444 482	-	444 482
7. Employee 10 - legal matter finalized	-	150 000	-	150 000
8. Employee 11 - legal matter finalised	-	200 000	-	200 000
9. Service provider 2 - Legal action pending	105 584	65 584	105 584	65 584
10. Debtor 1 - legal action pending	100 000	100 000	100 000	100 000
11. Public member 1 - legal action pending	150 000	-	150 000	-
	1 545 584	2 150 066	1 545 584	2 150 066

1. Ex-employee 1 - legal action pending

The municipality has taken legal action against an ex-employee who made an illegal investment. The matter is being dealt with by the high court. The appointed legal team has commenced with pre-trial preparations with the appointed advocate. Trial dates are pending.

2. Consulting Engineers 1 - legal matter pending

This matter refers to a dispute with a consulting engineering firm and relates to the consultant increasing the scope of work of a project without obtaining prior approval from the municipality. The matter is a high court claim and the matter is ready for trial and on the trial awaiting list.

3. Contractor 1 - legal matter pending

The municipality has taken legal action against a contractor for non performance and relates to the claim referred to in point 2 above. The matter is with the high court, however it may not come before the court as it is our legal teams view that the Consultant is liable for all costs.

4. Service provider 1 - legal action pending

This is a high court claim in which an order of re-payment was obtained against the service provider.

5. Employees 2 & 3 - legal matter finalised

This matter refers to an application for a review of an arbitration award made in favour of the municipality. The application for review has been finalised by the court and the Judge has given his ruling which was in the favour of the municipality. SAMWU on behalf of its members had referred the matter for review. The review argument has been finalised. The judge's ruling has been issued in favour of the municipality and a cost order was issued against the employees in favour of the municipality.

6. Employee 9 - legal matter finalised

This matter has been settled out of court.

7. Employee 10 - legal matter finalised

This matter has been settled out of court.

8. Employee 11 - legal matter finalised

This matter has been settled out of court.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

42. CONTINGENT LIABILITIES ...continued

9. Service provider 2 - legal action pending

The matter refers to a civil litigation suite based on a repudiation of a contract to supply certain services to the municipality. The service provider has instituted action against King Cetshwayo District Municipality at Durban High Court for an original R11m claim. The Plaintiff has since amended its particulars of claim to R3,750 ml. The defendants had in turn delivered a plea wherein a special plea had been raised together with a counter claim seeking an order to declare the purported contract unlawful. Furthermore, the plaintiff has so far failed to plead to the defendants counter claim.

10. Debtor 1 - legal action pending

This is a dispute between the Home Owners Association and the Municipality regarding a contractual matter with regards to the responsibility of the reticulation system within the estate.

11. Public member 1 - legal action pending

This is a claim for damages arising from a motor vehicle collision between a Council employee and a member of the public. Pleadings have been closed and the plaintiff is to set the matter down for trial.

The contingent liabilities with associated estimated legal fees and other costs of R1 545 584 mentioned above is generally costs associated with the litigation process and any resultant claims cannot be quantified.

B - Dispute with bulk water service provider 1

In the year under review the municipality had lodged a dispute with the bulk water service provider regarding the tariff being applied to the municipality's account. In this regard the applicable invoices raised by the service provider have been recorded at a lower tariff as outlined in the service provider's published tariff schedule. The dispute has not yet been resolved however both parties are engaging on the matter. A contingent liability has been disclosed amounting to R14 575 193.

C - Dispute with the Department of Water and Sanitation (DWS)

A dispute has arisen between the municipality and the DWS with regard to charges which have been levied by the department against the municipality pertaining to raw water abstraction. The dispute has arisen due to the department charging the municipality for water abstracted from the abstraction points under the control of the municipality, when no water was available due to the ongoing drought in the region. The municipality believes that it should not be charged for water that could not be delivered due to the drought. Emanating from numerous meetings with DWS, the department has requested the municipality to make a formal application to the department, requesting the reversal of all interest charges, the crediting of the erroneous invoices, and the substitution of corrected invoices based on actual water abstracted from the various abstraction points. The readings have been forwarded to the department for the process to be concluded. A contingent liability has been disclosed amounting to R29 787 574.

In light of the above, an accrual has been made on the basis of the application being accepted by the department.

D - Dispute with bulk water service provider 2

In the year under review, the municipality was contacted by a bulk water service provider, with regards to a water abstraction point, which the service provider had not been charging the municipality for. The municipality had made several attempts during the year to contact the service provider with regards to this abstraction point, but no response was received from the service provider until late June 2019. The municipality based on historical charges, has made an accrual for the charges, but the service provider has now levied a charge based on volumes and tariffs which the municipality is disputing. A meeting has been held to discuss and find a resolution to the matter, and further meetings are expected. A contingent liability has been disclosed amounting to R3 677 177.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

The tables below outlines the contingent liability as listed above.

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
42. CONTINGENT LIABILITIES ...continued				
B - Dispute with bulk water service provider 1				R
Total raised by service provider 1				56 939 856
Total paid by municipality				(42 364 663)
				14 575 193
C - Dispute with the Department of Water and Sanitation (DWS)				R
Total invoices raised by DWS				54 913 741
Less: Contingent liability - Pre 2012 invoices to be credited by DWS as per motivational correspondence from Provincial Treasury				(7 554 689)
Less: Contingent liability - interest to be reversed on disputed invoices				(8 160 914)
Accrued expenses				(9 410 564)
				29 787 574
D - Dispute with bulk water service provider 2				R
Total raised by service provider 2				5 377 177
Accrued expenses				(1 700 000)
				3 677 177
43. RELATED PARTIES				
Relationships				
Municipal entities				
The uThungulu Financing Partnership - Dissolved 2017/2018				
uThungulu House Development Trust				
King Cetshwayo Fresh Produce Market (Pty) Ltd				
Related Party Balances				
Investments in municipal entities				
uThungulu House Development Trust			725 877	687 134
King Cetshwayo Fresh Produce Market (Pty) Ltd			1 000	1 000
Income received from related parties				
The uThungulu Financing Partnership				446 974
% interest in municipal entities				
uThungulu Financing Partnership				99
uThungulu House Development Trust			100	100
King Cetshwayo Fresh Produce Market (Pty) Ltd			100	100
Transfers and subsidies				
King Cetshwayo Fresh Produce Market (Pty) Ltd			14 000 000	6 400 000
uMhlathuze Municipality	130 000	-	130 000	-
Umlalazi Municipality	100 000	80 000	100 000	80 000
Umfolozzi Municipality	-	695 500	-	695 500
Sub - lease payments				
The uThungulu Financing Partnership			-	441 972

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

The tables below outlines the contingent liability as listed above.

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
43. RELATED PARTIES ...continued				
Sub - lease payments				
The uThungulu Financing Partnership			-	441 972

The uThungulu Financing Partnership was a partnership between King Cetshwayo District Municipality, NIB9810 trust and Nedcor. King Cetshwayo District Municipality as at 30 April 2008 held 99% and Nedcor and NIB9810 held the balance of 1%. The uThungulu Financing Partnership was formed to facilitate the purchase of King Cetshwayo House in order to provide offices for King Cetshwayo District Municipality. In order to finance the purchase of King Cetshwayo House, the partnership entered into a loan agreement with Nedcor. In terms of the sub-lease agreement, King Cetshwayo District Municipality was obliged to make bi-annual sub payments to the partnership to reimburse uThungulu Financing Partnership for loan repayments made to Nedcor. The loan was payable over 20 year period (commencing in 1998 and ended in 2017).

uThungulu House Development Trust leases immovable property to the uThungulu Financing Partnership, in terms of a financing lease. The original lease period expired on 31 October 2017.

The municipality has consulted Council's attorneys regarding the different options in terms of the dissolution of the Trust. Council has taken a resolution to dissolve the Trust and the subsequent processes were initiated in the year under review.

The Council embarked on the establishment of an entity known as the King Cetshwayo Fresh Produce Market (Pty) Ltd (formerly known as the uThungulu Fresh Produce Market (Pty) Ltd, which was incorporated on 23 June 2015 and commenced activities on 1 July 2015 (previously dormant). The municipality has taken cognisance that the King Cetshwayo Fresh Produce Market (PTY) Ltd has encountered challenges around being a going concern and as such has commissioned processes to determine the impact and dissolution of the Entity. The above mentioned entities are incorporated in South Africa.

44. PRIOR YEAR ADJUSTMENTS

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice and the aggregate effect of the prior year adjustments in the consolidated annual financial statements for the period ended 30 June 2019 presented below are those items contained in the statement of financial position, statement of financial performance, and statement of changes in net assets that have been affected by prior-year adjustments.

Group and municipality

Adjustments to Inventory

In the 2016/2017 financial year the municipal Council had written off water meters amounting to R4 268 825 prior to the closure of the financial year. Meters with a value of R43 002 were issued from the stores in error in 2016/2017 and subsequently returned and were then reversed by a journal entry in the 2017/2018 financial year. Due to the migration of the MSCOA, the physical write off of the meters from the stock file was rolled over and the journal to ledger effected. The correction journal has been effected to ensure that the stores sub ledger and general ledger are in balance.

Adjustments to property, plant and equipment

In the current financial year the municipality accounted for prior year corrections to assets under construction, infrastructure, other assets and depreciation as follows:

- Infrastructure assets and other assets with a value of R4 187 605 and R2 463 965 respectively were completed in the previous financial years and transferred from assets under construction. The total amount transferred from assets under construction amounted to R6 651 570. The amount of R6 651 570 relates to the 2017/2018 opening balance adjustment of R6 011 760 and an adjustment of R639 810 in the 2017/2018 financial year.
- Depreciation on completed assets outlined in (a) above have been adjusted by R336 165 (R6 011 760) for the opening balance of 2017/2018 and R166 899 (R6 651 570) for depreciation in 2017/2018 financial year.
- Depreciation adjustments on fully depreciated assets still in use by the municipality, have been effected amounting to R2 081 650 on the opening balance for 2017/2018 financial year and R540 415 for depreciation in the 2017/2018 financial year.
- The effected corrections amounting to R26 093 and R429 469 to the carrying values of property, plant and equipment and intangibles respectively emanating from the entity's adjustments on consolidation.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

44. PRIOR YEAR ADJUSTMENTS

Other adjustments

- a) Payables from exchange transactions for the financial year 2017/2018 were overstated in the King Cetshwayo Fresh Produce Market (PTY) Ltd.
- b) Receivables from exchange transactions were overstated in the King Cetshwayo Fresh Produce Market (PTY) Ltd.
- c) Receivables from non exchange was incorrectly classified as a receivable from exchange transactions in the King Cetshwayo Fresh Produce Market (PTY) Ltd.
- d) Restatement of VAT opening balance due to VAT input incorrectly claimed in the King Cetshwayo Fresh Produce Market (PTY) Ltd.
- e) Reclassification of grant amount from receivables from exchange transactions to receivables from non exchange transactions.
- f) Restatement of billing in the King Cetshwayo Fresh Produce Market (PTY) Ltd.
- g) Reclassification of remuneration of board of directors from employee related costs in the King Cetshwayo Fresh Produce Market (PTY) Ltd.

The cumulative effect on the statement of financial position, performance and changes in net assets is outlined below:

Group	Note	As previously reported	Prior year adjustment	Restated
Statement of financial position				
2017/2018				
Effect on current assets - Inventories as at 30 June 2018	2	6 036 170	(43 002)	5 993 168
Receivables from exchange transactions - consumer debtors	3	41 829 969	(115 712)	41 714 257
Receivables from exchange transactions - VAT	4	60 346 234	(509 923)	59 836 311
Effect on non current assets - Property, plant and equipment as at 30 June 2018	8	2 295 256 432	852 616	2 296 109 048
Effect on non current assets - Intangible assets as at 30 June 2018	9	4 719 322	(270 005)	4 449 317
Payables from exchange transactions	14	(266 890 381)	3 263	(266 887 118)

Municipality	Note	As previously reported	Prior year adjustment	Restated
Statement of financial position				
2017/2018				
Effect on current assets - Inventories as at 30 June 2018	2	6 036 170	(43 002)	5 993 168
Effect on non current assets - Property, plant and equipment as at 30 June 2018	8	2 278 977 824	878 709	2 279 856 533
Effect on non current assets - Intangible assets as at 30 June 2018	9	4 028 808	159 464	4 188 272

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

44. PRIOR YEAR ADJUSTMENTS ...continued

Group	Note	As previously reported	Prior year adjustment	Reclassification	Restated
Statement of financial performance					
2017/2018					
Revenue from exchange transactions - sale of fresh produce	23	(22 502 406)	115 712		(22 386 694)
Employee related costs - trading entity	25	195 919 615	28 298	(434 840)	195 513 073
Remuneration of Board of Directors	27	-		434 840	434 840
Effect on depreciation, amortisation and impairment	28	69 920 037	467 011		70 387 048
Effect on contracted services	31	379 551 809	61 377		379 613 186
Operational costs	33	114 147 079	(185 164)		113 961 915
Lease rentals on operating lease	34	248 259	(4 383)		243 876
Purchasing of produce and distribution cost	35	22 644 463	(68 375)		22 576 088
Effect on surplus for the year		106 171 891	(414 476)		105 757 415

Municipality	Note	As previously reported	Prior year adjustment	Reclassification	Restated
2017/2018					
Effect on depreciation, amortisation and impairment	28	69 063 697	707 316		69 771 013
Effect on contracted services	31	378 276 558	43 002		378 319 560
Effect on surplus for the year		109 878 501	(750 317)		109 128 184

Group	Restated	Restated surplus	Previously reported distribution by partnership	As previously reported	Prior year adjustment depreciation RUL - municipality	Prior year adjustment - King Cetshwayo Fresh Produce Market (PTY) Ltd	Prior year adjustment depreciation completed assets - municipality	Prior year adjustment inventories	Restated
Statement of changes in net assets									
2017/2018									
Balance as at 1 July 2017				2 391 762 966	2 081 650	(1 413 775)	(336 165)	-	2 392 094 676
Balance as at 1 July 2018	2 392 094 676	105 757 418				-			2 497 852 094

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

44. PRIOR YEAR ADJUSTMENTS ...continued

Municipality	As previously reported	Prior year adjustment depreciation RUL - municipality	Prior year adjustment depreciation completed assets - municipality	Prior year adjustment inventories	Restated
Statement of changes in net assets					
2017/2018					
Balance as at 1 July 2017	2 373 561 553	2 081 650	(336 165)	-	2 375 307 041
Balance as at 1 July 2018	2 483 440 055	1 541 235	(503 063)	(43 002)	2 484 435 225

45. BUDGET AND ACTUAL AMOUNT VARIANCES

Variances greater than 10 % with a value not less than R500 000 as referenced on The Statement of Comparison of Budget and Actual amounts, as reflected on [page 177](#) to [page 179](#) are set out below:

Statement of financial performance

45.1 Sale of fresh produce

The budgeted amount assumed that the entity would be in a position to claim full invoices with no shortages, however there were short deliveries at times due to unavailability of produce.

45.2 Other income

The variance between the budget and actual amounts are attributable mainly to the insurance refunds expected, decrease in tender deposits sales and the disclosure of proceeds from the sale of property, plant and equipment. The insurance refunds are based on estimates and depends on claims submitted. In terms of the tender deposits a decrease in sales was impacted by the fact that service providers can now access the document on line. The proceeds from the sale of property, plant and equipment is budgeted under other income, however disclosed separately in the annual financial statements.

45.3 Transfers and subsidies

The variance between the budget and actual amounts are attributable mainly to the challenges experienced in the roll out of infrastructure projects within the district, thus not spending the full grant allocations received from funders in order to recognise the revenue.

45.4 Depreciation, amortisation and impairment

The variance between the budget and actual amounts are attributable to the municipality budgeting for an increase in completed projects, while the trading entity had under budgeted for depreciation and amortization.

45.5 Purchase of fresh produce and distribution cost

Over expenditure is due to fresh produce budgeted under contracted services.

Statement of financial position

45.6 Inventories

The variance is attributable to the prudent setting of minimum stock holdings thereby ensuring inventory is available for projects as well as ensuring that working capital is not tied up unnecessarily.

45.7 Receivables from exchange transactions - consumer debtors and VAT

The variance is mainly attributable to the increase in outstanding municipal debtors in the category of commercial consumers, constant outstanding domestic debtors and entity trade debtor. The increase in these categories is as a result of economic pressures which negatively impacts the ability of poorer households to settle their municipal accounts as well as business being impacted by poor consumer spending. Furthermore departments do not settle their municipal accounts timeously and the entity could not collect the full invoices which resulted in under collection due to challenges with schools. The budget assumption for VAT receivable is that SARS will refund VAT claimable in a timely manner and thus no budget allocation is assigned thereto.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

45. BUDGET AND ACTUAL AMOUNT VARIANCES ...continued

45.8 Receivables from non exchange transactions

The variance is mainly attributable to unanticipated non exchange transactions not being adequately budgeted for.

45.9 Cash and cash equivalents

The municipality budgeted to have a bank account balance of R57 407 400 and an investment holding of R350 000 000, however the cash book and investment holding as at 30 June 2019 amounted to R145 579 495 and R350 000 000 respectively. The variance is as a result of cash backing of provisions, transfers, subsidies and accumulated depreciation to a limited extent and this is offset by lower collection by the entity which could not collect the full invoices which resulted increased debtors.

45.10 Property, plant, equipment and intangible assets

The variance is mainly attributable to the net carrying values in the budget not being updated with the audited outcomes and therefore increasing the estimated net carrying value for the year under review as well as the impact of not fully expending capital budgets.

45.11 Payables from exchange transactions

The variance is attributable to an increase in spend on capital projects by the municipality towards the latter part of the year, related accruals, which is difficult to estimate accurately and cash flow issues affecting the trading entity.

45.12 Consumer deposits

The variance is mainly attributable to an amendment in the municipal indigent policy which has lead to many consumers becoming eligible for indigent benefits, one of the benefits being the exemption from levied deposits. Furthermore a number of consumers moved from a conventional meter to a prepaid meter and thus only a minimum deposit was applied.

45.13 Defined employee benefit obligations - current and non current

The variance is attributable to assumed variables and demographical profiles of membership which actuarial valuations are based on, and these estimates are only calculated at year end, furthermore the amendment to the long service award scheme, wherein employees are now entitled to an award after 5 years of service as well as a pro rata award on exit, has resulted in a past service cost been valued in the 2018/2019 financial year.

45.14 Unspent transfers and subsidies

The municipality budgeted on fully expending grant allocations received for the year, however an amount of R92 895 169 remained unspent at year end. The variance is attributable mainly to the challenges experienced in the roll out of infrastructure projects within the district, thus not spending the full grant allocations received from funders.

45.15 Provisions - non current

The non current provision includes the yearly assessment of the rehabilitation of the landfill site. The calculation is performed by a professional engineer at year end, and as such the costs are difficult to estimate accurately due to inflation and other economic factors used in the calculation.

Cash flow statement

45.16 Receipts from consumers and other

The variance between the budget and actuals is mainly attributable to the decrease in collections from the King Cetshwayo Fresh Produce Market (PTY) Ltd, who encountered challenges in collecting debt from the department of Education.

45.17 Transfers and subsidies

The variance is mainly attributable to the elimination of inter company transactions.

45.18 Payment for property, plant, equipment and intangibles

The variance between budget and actuals is attributable the fact that the budget includes VAT on grants and accruals, as well as the challenges referred to in point 45,3 above.

45.19 Insurance proceeds and proceeds from the sale of property, plant and equipment

The proceeds from the sale of property, plant and equipment is budgeted under other income, however disclosed separately in the consolidated annual financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
46. UNAUTHORISED, FRUITLESS & WASTEFUL AND IRREGULAR EXPENDITURE				
Unauthorised expenditure: Budget overspending				
Opening balance	-	-	-	-
Add: Current year King Cetshwayo District Municipality water management contracted services	21 501 205		21 501 205	-
Closing balance	21 501 205	-	21 501 205	-
<p>The municipal amount of R21 501 205 recorded at an expenditure type level of contracted services (R18 689 877 expenditure recorded at a vote level and R40 460 289 expenditure recorded at an account level) disclosed above for unauthorised expenditure relates to support service agent expenditure transactions incurred for the maintenance and operations of water and sanitation infrastructure within the district. In terms of Municipal Finance Management Act No. 56 of 2003 section 32, the Municipal Manager has informed the Honourable Mayor of the identified expenditure and has commissioned the processes as outlined in the MFMA and National Treasury circular 68.</p> <p>The matter has also been reported to the Office of the Auditor General, National Treasury, Provincial Treasury and the Provincial Department of Cooperative Governance and Traditional affairs on 21 August 2019.</p> <p>The King Cetshwayo Fresh Produce Market (PTY) Ltd reported a total amount of R3 311 934 for 2017/2018 and 2018/2019 pertaining to over expenditure on the purchase of fresh produce and operational costs.</p>				
Fruitless and wasteful expenditure				
Opening balance	66 552	37 648		
Add: King Cetshwayo Fresh Produce Market (PTY) Ltd - Produce that was decayed due to non-delivery to schools	-	28 904		
Add: Current year King Cetshwayo Fresh Produce Market (PTY) Ltd - Penalties and interest charged on late submissions of EMP201's	15 963			
Add: Current year King Cetshwayo Fresh Produce Market (PTY) Ltd - Interest charged on overdue accounts	27 610	28 904		
Closing balance	110 125	66 552		
<p>The King Cetshwayo Fresh Produce Market (PTY) Ltd reported a total amount of R43 573 for fruitless and wasteful expenditure pertaining to penalties and interest incurred relating to late payment of PAYE to SARS. Furthermore, there was interest incurred on overdue accounts from various suppliers.</p>				

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
46. UNAUTHORISED, FRUITLESS & WASTEFUL AND IRREGULAR EXPENDITURE ...continued				
Irregular expenditure				
Opening balance	25 134 243	12 796 342		
Add: Current year King Cetshwayo Fresh Produce Market (PTY) Ltd	7 922 597	9 628 674		
Add: Current year King Cetshwayo Fresh Produce Market (PTY) Ltd				
overspending on fresh produce and operational costs	602 707	2 709 227		
Add: Current year King Cetshwayo District Municipality	5 066 537		5 066 537	
Add: Current year King Cetshwayo District Municipality	1 850 995		1 850 995	
Closing balance	40 577 079	25 134 243	6 917 532	-
During the year under review municipal irregular expenditure incurred by the municipality was brought to light during a review of overtime paid by the municipality. The expenditure incurred was caused by the payment of overtime to members of staff per an approved Council policy, who were earning above the legislated threshold as applicable under the Basic Conditions of Employment Act.				
The approved Council overtime policy did identify certain staff as being emergency and related workers, however there was no exemption applied for.				
The matter was reported to Council through item: KCDMC: 1881/2019, it was noted that no application for exemption for the approval of overtime to be paid to staff over the threshold was done. Furthermore the said payments of overtime to staff were made in good faith, with no intention to prejudice Council, or to afford undue benefit to employees. The overtime was required to ensure continued operations so to delivery services. The matter has been referred to Municipal Public Accounts Committee for an investigation.				
The matter has also been reported to the Office of the Auditor General, National Treasury, Provincial Treasury and the Provincial Department of Cooperative Governance and Traditional affairs on 17 May 2019 and 4 June 2019.				
The King Cetshwayo District Municipality and King Cetshwayo Fresh Produce Market (PTY) Ltd incurred irregular expenditure relating to the non compliance with Supply Chain Management processes.				
47. WATER DISTRIBUTION LOSSES				
The Department of Water and Sanitation considers any losses below that of 25 % as an acceptable norm. The calculated loss of 23.4% is therefore considered acceptable. The Technical Department has, during the course of 2017/2018, appointed consultants on a multi year project to address water loss management within King Cetshwayo District Municipality, this project is aimed at reducing losses further. The 23.4% (23% - 2017/2018) represents 611 030 kl (566 900 kl - 2017/2018) which equates to R6 296 270 (R5 306 184 - 2017/2018) excl. vat, based on 2018/2019 approved tariffs.	6 296 270	5 306 184	6 296 270	5 306 184

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

		Group		Municipality	
		2019 R	2018 R	2019 R	2018 R
48. RISK MANAGEMENT					
Capital risk management					
The municipality and group's objective when managing capital are to safeguard the municipality and group's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.					
The capital structure of the municipality and group consists of debt, which includes the long-term liabilities as disclosed in note 13, cash and cash equivalents disclosed in note 7, and equity as disclosed in the statement of financial position.					
Gearing ratios					
The gearing ratio as at June 2019 and June 2018 restated respectively were as follows:					
Total borrowings					
Long-term liabilities	13	38 533 314	44 461 655	38 533 314	44 461 655
Less: Cash and cash equivalents	7	496 397 087	500 819 838	495 583 295	498 282 726
Net cash		(457 863 773)	(456 358 183)	(457 049 981)	(453 821 071)
Total equity		2 533 170 362	2 497 852 091	2 523 407 007	2 484 435 225
Total capital		2 075 306 589	2 041 493 908	2 066 357 026	2 030 614 154
		1,86%	2,18%	1,86%	2,19%
Financial risk management					
Financial Risk Management Objectives					
Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.					
However, the trading entity's major financial risk is that of delayed payments by customers. This risk is mitigated by the fact that the trading entity's primary customer is the KZN Department of Education.					
The municipality's financial services function and entity management monitors and manages the financial risks relating to the operations of the municipality and entity. These risks include credit risk and liquidity risk.					

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Municipality	
	2019 R	2018 R	2019 R	2018 R
48. RISK MANAGEMENT ...continued				
Liquidity risk				
Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. The municipality and group's liquidity risk pertains to whether funds are available to cover future commitments. The municipality and trading entity manage liquidity risk through an ongoing review of future commitments and credit obligations.				
Cash flow forecasts are prepared and adequately utilised and borrowing facilities are monitored. The liquidity ratio is outlined below:				
Current Assets	615 232 095	627 357 434	604 910 565	619 767 272
Current Liabilities	353 427 947	287 443 720	347 555 631	277 444 997
Liquidity ratio	1.74:1	2.18:1	1.74:1	2.23:1
Interest rate risk				
The municipality and group limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting for fixed interest rates rather than variable rates.				
Credit risk				
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality and trading entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.				
The municipality's debtors comprise mainly water, sanitation and refuse users, dispersed across different industries and geographical areas. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.				
The trading entities debtors comprise the Department of Education. Where there are arrears communication is forwarded to the department and follow up is done. Although credit risk is considered low, the department does not pay timely.				
Financial assets exposed to credit risk at year end were as follows:				
Financial instrument				
Investments	350 000 000	350 000 000	350 000 000	350 000 000
Cash and cash equivalents	146 397 087	150 819 838	145 583 295	148 282 726
Receivables from exchange and non exchange transactions	112 938 258	120 496 656	103 430 520	115 443 606

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ...continued

FOR THE YEAR ENDED 30 JUNE 2019

49. GOING CONCERN

We draw attention to the fact that at 30 June 2019, the group and municipality had accumulated surplus of R 2 533 170 362 and that the group and municipality's total assets exceed total liabilities by R 2 533 170 362.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, dependant on the receiving of equitable share allocations.

Management are of this view despite managements decision after the reporting date that there is an intention to liquidate the entity and to cease operating.

The decision does not lead to the creation of additional liabilities nor does it trigger clauses in debt contracts leading to the reclassification of any debt payable as current liabilities.

Judgement is required in determining whether a change in the carrying value of assets and liabilities is required, and there was no adjustment necessary and further, the change in circumstances did not lead to the creation of additional liabilities nor it triggered clauses in debt contracts leading to the reclassification of certain debts as current liabilities.

50. EVENTS AFTER THE REPORTING DATE

On 27 July 2019 the council resolved to discontinue the operations of the trading entity. This was due to the cancellation of the contract of the sole customer, the Department of Education. The entity's operations will only resume after the establishment of the development agency which amongst other services will include the farming operations. At the date of submission of the consolidated annual financial statements there were no further known adjusting events.

APPENDIX A

GROUP AND MUNICIPALITY

KING CETSHWAYO DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019

	Redeemable Date	Balance at 30 June 2018 R	Received during the period R	Redeemed written off during the period R	Balance at 30 June 2019 R
ANNUITY LOAN					
INCA @ 11.95%	2023/06/30	16 068 568		2 514 855	13 553 713
ABSA @ 12.6%	2024/06/30	28 393 086		3 413 486	24 979 600
		44 461 654	-	5 928 341	38 533 313
TOTAL EXTERNAL LOANS					
ANNUITY LOAN		44 461 654	-	5 928 341	38 533 313
		44 461 654	-	5 928 341	38 533 313

APPENDIX B

GROUP AND MUNICIPALITY

KING CETSHWAYO DISTRICT MUNICIPALITY - ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2019

ASSET SUB CATEGORY	Historical Cost							
Asset Group Type	Opening Balance	Additions	Additions WIP	Capitalised WIP	Disposals	Adjustment in Fair Value	Adjustment of Provisions	
Assets under Construction	896 497 569,00	-	192 987 005,00	-195 322 519,87	-	-	-	
Heritage Asset	700 000,00	-	-	-	-	-	-	
Sub Total	700 000,00	-	-	-	-	-	-	
COMPUTER SOFTWARE								
Backup	9 592,00	-	-	-	-	-	-	
Desktop	92 800,00	-	-	-	-	-	-	
Hummingbird	227 083,00	-	-	-	-226 528,00	-	-	
Identity Manager	287 968,00	-	-	-	-	-	-	
Software	5 719 299,00	593 082,00	-	-	-535 716,00	-	-	
Servers	8 911,00	-	-	-	-	-	-	
Sub Total	6 345 653,00	593 082,00	-	-	-762 244,00	-	-	
COMMUNITY FACILITIES								
Cemeteries / Crematoria	14 840 802,00	-	-	-	-	-	-	
Sub Total	14 840 802,00	-	-	-	-	-	-	
SANITATION INFRASTRUCTURE								
Pump Stations	51 906 496,00	-	-	-	-	-	-	
Reticulation	24 081 994,00	-	-	-	-	-	-	
Toilet Facilities	24 029,00	-	-	-	-	-	-	
Waste-Water Treatment Works (WWTW)	17 916 245,00	-	-	-	-	-	-	
Sub Total	93 928 764,00	-	-	-	-	-	-	
SERVITUDES								
Servitudes	61 683,00	-	-	-	-	-	-	
Sub Total	61 683,00	-	-	-	-	-	-	
SOLID WASTE INFRASTRUCTURE								
Landfill Sites	30 349 175,00	-	-	-	-	-	-	
Sub Total	30 349 175,00	-	-	-	-	-	-	
WATER INFRASTRUCTURE								
Borehole	75 624 440,00	95 733,00	-	-	-	-	-	
Bulk Mains	325 694 737,00	-	-	-	-	-	-	
Dams and Weirs	3 436 240,00	146 050,00	-	-	-	-	-	
Distribution	702 766 530,00	3 903 980,00	-	-	-	-	-	
Pump Stations	120 611 617,00	131 068,00	-	-	-	-	-	
Reservoirs	244 603 089,00	626 612,00	-	-	-	-	-	
Water Treatment Works (WTW)	144 097 212,00	585 792,00	-	-	-	-	-	
Sub Total	1 616 833 865,00	5 489 235,00	-	-	-	-	-	

			Accumulated Depreciation, Impairment Losses & Transfers					Carrying Value
	Transfer Cost	Closing Balance	Opening Balance	Additions	Accumulated Impairment	Disposals	Closing Balance	
	-	894 162 055,00	-	-	-	-	-	894 162 055,00
	-	700 000,00	-	-	-	-	-	700 000,00
	-	700 000,00	-	-	-	-	-	700 000,00
	-	9 592,00	-8 720,00	-872,00	-	-	-9 592,00	-
	-	92 800,00	-77 333,00	-7 733,00	-	-	-85 067,00	7 733,00
	-	555,00	-227 063,00	-7,00	-	226 528,00	-541,00	14,00
	-	287 968,00	-116 203,00	-29 031,00	-	-	-145 234,00	142 734,00
	-	5 776 665,00	-1 721 209,00	-736 751,00	-	437 041,00	-2 020 918,00	3 755 746,00
	-	8 911,00	-6 855,00	-685,00	-	-	-7 540,00	1 373,00
	-	6 176 491,00	-2 157 383,00	-775 079,00	-	663 569,00	-2 268 892,00	3 907 600,00
	5 992 346,00	20 833 148,00	-2 868 505,00	-700 848,00	-	-	-3 569 353,00	17 263 795,00
	5 992 346,00	20 833 148,00	-2 868 505,00	-700 848,00	-	-	-3 569 353,00	17 263 795,00
	-	51 906 496,00	-35 727 709,00	-1 905 093,00	-	-	-37 632 801,00	14 273 694,00
	32 230,00	24 114 224,00	-7 338 017,00	-457 214,00	-	-	-7 795 231,00	16 318 993,00
	-	24 029,00	-18 340,00	-2 304,00	-	-	-20 644,00	3 385,00
	-	17 916 245,00	-6 811 027,00	-386 820,00	-	-	-7 197 847,00	10 718 397,00
	32 230,00	93 960 994,00	-49 895 093,00	-2 751 431,00	-	-	-52 646 523,00	41 314 469,00
	-	61 683,00	-	-	-	-	-	61 683,00
	-	61 683,00	-	-	-	-	-	61 683,00
	-	30 349 175,00	-27 309 786,00	-1 011 474,00	-	-	-28 321 260,00	2 027 915,00
	-	30 349 175,00	-27 309 786,00	-1 011 474,00	-	-	-28 321 260,00	2 027 915,00
	2 697 257,00	78 417 430,00	-41 153 985,00	-2 884 774,00	-688 516,00	-	-44 727 275,00	33 690 154,00
	-	325 694 737,00	-33 840 142,00	-10 054 948,00	-	-	-43 895 090,00	281 799 647,00
	-	3 582 290,00	-2 225 119,00	-152 753,00	-528,00	-	-2 378 400,00	1 203 890,00
	103 464 196,00	810 134 706,00	-207 054 183,00	-31 512 199,00	-10 413,00	-	-238 576 795,00	571 557 911,00
	365 730,00	121 108 415,00	-22 160 476,00	-5 136 834,00	-1,00	-	-27 297 311,00	93 811 104,00
	73 626 900,00	318 856 601,00	-36 458 155,00	-5 907 244,00	-7 080,00	-	-42 372 480,00	276 484 121,00
	3 543 021,00	148 226 026,00	-29 583 239,00	-4 310 612,00	-27 010,00	-	-33 920 861,00	114 305 168,00
	183 697 104,00	1 806 020 205,00	-372 475 299,00	-59 959 364,00	-733 548,00	-	-433 168 212,00	1 372 851 995,00



APPENDIX B ...continued

GROUP AND MUNICIPALITY

KING CETSHWAYO DISTRICT MUNICIPALITY - ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2019

ASSET SUB CATEGORY	Historical Cost							
Asset Group Type	Opening Balance	Additions	Additions WIP	Capitalised WIP	Disposals	Adjustment in Fair Value	Adjustment of Provisions	
COMPUTER EQUIPMENT								
Computer Equipment	14 146 717,00	1 474 289,00	-	-	-2 170 106,00	-	-	
Sub Total	14 146 717,00	1 474 289,00	-	-	-2 170 106,00	-	-	
FURNITURE								
Furniture	6 922 957,00	611 052,00	-	-	-417 443,00	-	-	
Sub Total	6 922 957,00	611 052,00	-	-	-417 443,00	-	-	
HOUSING								
Staff Housing	192 474,00	23 981,00	-	-	-	-	-	
Sub Total	192 474,00	23 981,00	-	-	-	-	-	
MOTOR VEHICLE								
Motor Vehicle	16 966 288,00	1 497 170,00	-	-	-	-	-	
Sub Total	16 966 288,00	1 497 170,00	-	-	-	-	-	
OFFICE EQUIPMENT								
Office Equipment	8 427 194,00	838 203,00	-	-	-636 053,00	-	-	
Sub Total	8 427 194,00	838 203,00	-	-	-636 053,00	-	-	
OPERATIONAL BUILDINGS								
Municipal Offices	68 290 409,00	111 605,00	-	-	-	-	-	
Stores	5 361 052,00	-	-	-	-	-	-	
Land and Buildings								
Sub Total	73 651 461,00	111 605,00	-	-	-	-	-	
PLANT AND EQUIPMENT								
Plant and Equipment	3 104 942,00	270 660,00	-	-	-159 135,00	-	-	
Sub Total	3 104 942,00	270 660,00	-	-	-159 135,00	-	-	
KCDM Intangible Assets Total	6 345 653,00	593 082,00	-	-	-762 244,00	-	-	
KCFPM Intangible Assets	490 674,00	93 491,00						
Total Intangible Assets	6 836 327,00	686 573,00						
Total Heritage Assets	700 000,00	-	-	-	-	-	-	
KCDM Property, Plant, Equipment Total	2 775 923 891,00	10 316 195,00	192 987 005,00	-195 322 519,87	-3 382 737,00	-	-	
KCFPM Property, Plant and Equipment	17 540 917,00							
Total Property, Plant and Equipment	2 793 464 808,00	10 316 195,00	192 987 005,00	-195 322 519,87	-3 382 737,00			

			Accumulated Depreciation, Impairment Losses & Transfers					Carrying Value
	Transfer Cost	Closing Balance	Opening Balance	Additions	Accumulated Impairment	Disposals	Closing Balance	
	-	13 450 900,00	-8 192 941,00	-2 132 629,00	11 960,00	1 794 941,00	-8 518 669,00	4 932 231,00
	-	13 450 900,00	-8 192 941,00	-2 132 629,00	11 960,00	1 794 941,00	-8 518 669,00	4 932 231,00
	-	7 116 566,00	-3 986 515,00	-688 883,00	83,00	340 754,00	-4 334 561,00	2 782 005,00
	-	7 116 566,00	-3 986 515,00	-688 883,00	83,00	340 754,00	-4 334 561,00	2 782 005,00
	-	216 454,00	-124 772,00	-6 636,00	-	-	-131 408,00	85 046,00
	-	216 454,00	-124 772,00	-6 636,00	-	-	-131 408,00	85 046,00
	-	18 463 458,00	-5 819 527,00	-2 031 076,00	-	-	-7 850 602,00	10 612 856,00
	-	18 463 458,00	-5 819 527,00	-2 031 076,00	-	-	-7 850 602,00	10 612 856,00
	-	8 629 344,00	-4 997 076,00	-1 288 891,00	-	540 707,00	-5 745 260,00	2 884 085,00
	-	8 629 344,00	-4 997 076,00	-1 288 891,00	-	540 707,00	-5 745 260,00	2 884 085,00
	-	68 402 013,00	-17 001 849,00	-1 928 577,00	-	-	-18 930 426,00	49 471 593,00
	-	5 361 052,00	-1 741 125,00	-171 665,00	-	-	-1 912 790,00	3 448 267,00
	-	73 763 065,00	-18 742 974,00	-2 100 242,00	-	-	-20 843 216,00	52 919 860,00
	-	3 216 467,00	-1 654 880,00	-570 781,00	-	108 761,00	-2 116 900,00	1 099 566,00
	-	3 216 467,00	-1 654 880,00	-570 781,00	-	108 761,00	-2 116 900,00	1 099 566,00
	-	6 176 491,00	-2 157 383,00	-775 079,00	-	663 569,00	-2 268 892,00	3 907 600,00
		584 165,00	-229 628,00	-116 833,00			-346 461,00	237 704,00
		6 760 656,00	-2 387 011,00	-891 912,00		663 569,00	-2 615 353,00	4 145 304,00
	-	700 000,00	-	-	-	-	-	700 000,00
	189 721 680,00	2 970 243 514,00	-496 067 368,00	-73 242 255,00	-721 505,00	2 785 163,00	-567 245 964,00	2 402 997 559,00
		17 540 917,00	-1 288 401,00	-671 515,00	-9 731 148,00	-46 541,00	-11 737 605,00	5 803 312,00
	189 721 680,00	2 987 784 431,00	-497 355 769,00	-73 913 770,00	-721 505,00	2 738 622,00	-578 983 569,00	2 408 800 871,00



APPENDIX C

GROUP AND MUNICIPALITY

KING CETSHWAYO DISTRICT MUNICIPALITY - SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2019

Department	Historical Cost				
	Opening Balance	Additions	Additions WIP	Capitalised WIP	Disposals
Community & Social Services	43 382 210	-549 633	-	-	-
Environmental Health	85 898	-	-	-	-
Exec & Council	14 968 091	-	-	-	-779 443
Finance & Administration	96 826 758	111 605	-	-	-3 339 692
KCDM	-	677 776	-	-	-
King Cetshwayo	-	709 835	-	-	-
Mtunzini	-	12 155	-	-	-
Other	131 301 825	-34 172 073	187 386 165	40 065 525	-24 451
Solid Waste	50 546 082	-	-	-	-
Technical Services	1 703 048 166	-	-	-	-1 395
Water	742 810 513	-145 602 066	-	149 106 521	-
Total KCDM	2 782 969 543	-178 812 402	187 386 165	189 721 679	-4 144 981
KCFPM	18 031 591	93 491			
Total Group	2 801 001 134	-178 718 911	187 386 165	189 721 679	-4 144 981

			Accumulated Depreciation, Impairment Losses & Transfers					Carrying Value
	Transfer Cost	Closing Balance	Opening Balance	Additions	Accumulated Impairment	Disposals	Closing Balance	
	5 992 346	48 824 922	-270 421	-278 323	-	-	-548 744	48 276 177
	-	85 898	-1 228	-11 199	-	-	-12 427	73 471
	-	14 188 648	-7 869 885	-1 755 715	83	650 109	-8 975 408	5 213 239
	-	93 598 671	-34 327 825	-5 937 104	11 960	2 796 592	-37 456 378	56 142 294
	45 094 731	45 772 507	-	-397 630	-	-	-397 630	45 374 878
	-	709 835	-	-38 404	-	-	-38 404	671 432
	-	12 155	-	-959	-	-	-959	11 196
	138 489 299	422 980 765	-503 063	-4 275 086	-	1 752	-4 776 397	418 204 368
	-	50 546 082	-35 504 083	-1 881 667	-	-	-37 385 750	13 160 332
	-	1 703 046 771	-419 748 246	-59 392 757	-733 547	280	-479 874 270	1 223 172 501
	145 303	597 353 749	-	-48 490	-	-	-48 490	597 305 259
	189 721 679	2 977 120 004	-498 224 751	-74 017 333	-721 505	3 448 733	-569 514 856	2 407 605 148
		18 125 082	-1 518 029	-788 348	-9 731 148	-46 541	-12 084 066	6 041 016
	189 721 679	2 995 245 086	-498 224 751	-74 805 681	-721 505	3 402 192	-581 598 922	2 413 646 164

APPENDIX D

GROUP AND MUNICIPALITY

KING CETSHWAYO DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	2018 Actual Income Year to date R	2018 Actual Expenditure Year to date R	2018 Surplus / (Deficit) R
Executive & Council	-	33 669 576	(33 669 576)
Budget and Treasury Office	585 368 061	48 319 014	537 049 047
Corporate Services	416 513	61 677 298	(61 260 785)
Planning & Development	-	25 814 609	(25 814 609)
Community & Social Services	224 604	31 010 846	(30 786 242)
Environmental Health	19 095 200	18 402 270	692 930
Waste Management	20 505 111	28 983 041	(8 477 929)
Waste Water	75 594 185	111 782 261	(36 188 076)
Water	241 881 185	474 297 761	(232 416 577)
KCFPM, UHDT and UFP	21 949 236	25 320 001	(3 370 765)
	965 034 095	859 276 676	105 757 419

	2019 Actual Income Year to date R	2019 Actual Expenditure Year to date R	2019 Surplus / (Deficit) R
Executive & Council	-	42 089 235	-42 089 235
Budget and Treasury Office	521 838 693	72 580 617	449 258 076
Corporate Services	235 568	59 573 736	-59 338 169
Planning and Development	-	35 882 264	-35 882 264
Community and Social Services	217 111	31 687 360	-31 470 249
Environmental Health	19 075 232	18 767 513	307 719
Waste Management	26 218 252	21 048 662	5 169 591
Waste Water	76 362 033	46 798 930	29 563 103
Water	261 892 127	538 438 916	-276 546 789
KCFPM and UHDT	18 118 306	21 771 820	(3 653 514)
	923 957 322	888 639 052	35 318 270

APPENDIX E

GROUP AND MUNICIPALITY

KING CETSHWAYO DISTRICT MUNICIPALITY: ACTUAL VERSES BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2019

Property, Plant & Equipment	Additions R	Under Construction R	Total Additions R	Budget R	Variance R	Variance %
Executive & Council	783 289		783 289	763 605	(19 684)	-3%
Finance & Admin	2 289 881		2 289 881	14 352 156	12 062 275	84%
Planning & Development	86 336		86 336	120 000	33 664	28%
Environmental Health	-	-	-	321 500	-	0%
Community Services	2 197 245		2 197 245	4 686 075	2 488 830	53%
Waste Management	578 002		578 002	633 964	55 962	9%
Water	4 974 526	168 761 170	173 735 696	295 113 603	121 377 907	41%
Waste Water	-	18 624 992	18 624 992	21 114 886	2 489 894	12%
Total KCDM	10 125 990	187 386 162	198 295 442	337 105 789	138 488 848	41%
KCFPM	93 491,00	-	93 491,00	-	(93 491)	0%
Total GROUP	10 219 481	187 386 162	198 388 933	337 105 789	138 395 357	41%

APPENDIX F

GROUP AND MUNICIPALITY

KING CETSHWAYO DISTRICT MUNICIPALITY : DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 560 2003

Name of Grants & Vote	Name of organ of state or municipal entity	Current Year Receipts		
		Sept '18	Dec '18	
Development Planning Shared Services	COGTA	300 000		
Drought Relief - Water Umlalazi	COGTA			
Feasibility Study(legal shared services)	COGTA		1 000 000	
Preparation of expanded RBIDZ	COGTA		1 000 000	
Growth & Development Summit	COGTA			
Subtotal - Department of Co-operative Governance and Traditional Affairs		300 000	2 000 000	
Rural Transport Services & Infrastructure	DOT	1 770 000,00		
Subtotal - Department of Transport		1 770 000,00	-	
Regional Bulk Infrastructure Grant	DWS	30 000 000	-	
Water Services Infrastructure Grant	DWS	-	20 000 000	
Subtotal - Department of Water and Sanitation		30 000 000	20 000 000	
MIG	MIG	53 000 000	45 000 000	
Sub total - Department of Co-operative Governance		53 000 000	45 000 000	
Local Government Finance Grant	NT	1 000 000		
Equitable Share	NT	86 954 830	69 563 777	
Levy Replacement	NT	103 797 830	83 038 159	
LG Seta - Discretionary Grant	NT			
Environmental Health (EQS)	NT	7 931 340	6 345 064	
Subtotal - National Treasury		199 684 000	158 947 000	
EPWP Incentive Grant	PW	1 942 000	3 492 000	
Sub total - Department of Public Works		1 942 000	3 492 000	
EDTEA - Essential Oils	EDTEA		-	
Sub total - Department of Economic Development Tourism and Environmental Affairs		-	-	
Sport and Recreation	KZN - DSR			
Sub total - Department of Sports and Recreation		-	-	
		286 696 000	229 439 000	
TOTAL GROUP				

			Conditions Met Transferred To Revenue			
	March '19	June '19	Sep 18	Dec '18	Mar '19	June 19
		-	102 852	103 929	71 672	21 547
		-				1 500 000
		-				
	-	-	102 852	103 929	71 672	1 521 547
	758 000,00	-	481 253	739 847	396 278	910 622
	758 000,00	-	481 253	739 847	396 278	910 622
	90 000 000		-	3 628 829	11 055 027	37 995 856
	68 300 000		20 437 138	15 482 392	13 068 632	15 899 015
	158 300 000	-	20 437 138	19 111 221	24 123 659	53 894 871
	69 200 000	-	16 861 707	40 698 528	30 039 010	78 303 835
	69 200 000	-	16 861 707	40 698 528	30 039 010	78 303 835
			189 133	313 047	112 021	385 799
	52 173 161	-	86 954 830	69 563 777	52 173 161	
	62 279 011	-	103 797 830	83 038 159	62 279 011	
		397 625				235 568
	4 758 828	-	7 931 340	6 345 064	4 758 828	
	119 211 000	397 625	198 873 133	159 260 047	119 323 021	621 367
	2 328 000		1 491 327	2 000 128	1 903 924	2 366 621
	2 328 000	-	1 491 327	2 000 128	1 903 924	2 366 621
			44 600	751 482	233 168	407 490
	-	-	44 600	751 482	233 168	407 490
			-	3 813		-
	-	-	-	3 813	-	-
	349 797 000	397 625	238 292 010	222 668 994	176 090 732	138 026 353
		866 329 625				775 078 089

APPENDIX G

GROUP AND MUNICIPALITY

KING CETSHWAYO DISTRICT MUNICIPALITY : APPROPRIATION STATEMENT (Reconciliation: Budget and in-year performance)

30 June 2019

Description	2018/2019					
	Original Budget	Budget Adjustments (i.t.o s28 and s31 of the MFMA)	Final Adjustments Budget	Shifting of Funds (i.t.o s31 of the MFMA)	Virements (i.t.o Council Approved bylaw)	Final Budget
Financial Performance						
Property Rates	-	-		-	-	-
Services Charges	86 260 130	-2 877 146	83 382 984	-	-	83 382 984
Investment Revenue	44 307 855	-4 800 000	39 507 855	-	-	39 507 855
Sale of fresh produce	31 948 000	-9 856 000	22 092 000	-	-	22 092 000
Government Recognised - Operational	534 074 168	28 387 648	562 461 806	-		562 461 806
Other Own Revenue	1 510 313	2 918 030	4 428 343	-	-	4 428 343
Total Revenue (Excluding capital transfers and contributions)	698 100 456	13 772 532	711 872 988	-	-	711 872 988
				-		
Employee Related Cost	254 523 808	-23 969 263	230 554 545		6 040 012	236 594 557
Remuneration of Councillors	12 870 278	-400 000	12 470 278	-	-454 610	12 015 668
Remuneration of board of directors	-	211 205	211 205	-	-	211 205
Debt Impairment	2 827 790	6 000 000	8 827 790	-	-	8 827 790
Depreciation, Amortisation & Impairment	93 157 940	-	93 157 940	-	-	93 157 940
Finance Costs	5 322 141	-	5 322 141	-	-	5 322 141
Bulk Purchases	28 534 000	5 000 000	33 534 000		5 850 749	39 384 749
Contract Services	288 473 560	55 473 355	343 946 915		2 986 000	346 932 915
Transfers and Subsidies	2 910 000	2 750 000	5 660 000		-305 000	5 355 000
Lease rentals	305 000	-111 974	193 026	-	-	193 026
Purchase of fresh produce and distribution cost	17 378 000	-4 275 491	13 102 509	-	-	13 102 509
Other Expenditure	130 130 716	11 711 078	141 841 794		-14 117 151	127 724 643
Total Expenditure	836 433 233	52 388 910	888 822 143	-	-	888 822 143
					-	-
Surplus / (Deficit)	-138 332 777	-38 616 378	-176 949 155	-	-	-176 949 155
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	315 257 842	-8 147 096	307 110 746	-	-	307 110 746
Contributions Recognised - Public				-	-	-
Surplus / (Deficit) after capital transfers and contributions	176 925 065	-46 763 474	130 161 591	-	-	130 161 591
Capital Expenditure & Funds Sources						
Capital Expenditure	321 812 842	15 292 947	337 105 789	-	-	337 105 789
Transfers and subsidies - Capital	315 257 842	-8 147 096	307 110 746	-	-	307 110 746
Public Contributions & donations	-			-	-	-
Borrowings	-			-	-	-
Internally General Funds	6 555 000	23 440 043	29 995 043	-	-	29 995 043
Total Sources of Capital funds	321 812 842	15 292 947	337 105 789	-	-	337 105 789
Cash Flows						
Net cash from (used) operating	272 910 795	-46 335 101	226 575 694	-	-	226 575 694
Net cash from (used) investing	-321 812 842	-15 292 947	-337 105 789	-	-	-337 105 789
Net cash from (used) financing	-5 928 340	-	-5 928 340	-	-	-5 928 340
Cash/cash equivalents at the year end	354 507 613	27 316 678	381 824 291	-	-	381 824 291

						Restated 2017/2018		
	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Report Unauthorised Expenditure	Expenditure Authorised in terms of section 32 of MFMA	Restated Audited Outcome
	-							-
	87 183 142	-	3 800 158	105%	101%	-	-	77 590 709
	41 007 071	-	1 499 216	104%	93%	-	-	46 685 457
	18 118 306		-3 973 694	82%	57%			22 386 694
	574 728 409	-	12 266 603	102%	108%	-	-	661 803 491
	2 570 714	-	-1 857 629	58%	170%	-	-	3 269 983
	723 607 642	-	11 734 654			-	-	811 736 334
	228 686 155	-	-7 908 402	97%	90%	-	-	195 513 072
	11 679 483	-	-336 185	97%	91%	-	-	11 778 097
	185 316		-25 889	88%	0%			434 840
	8 753 607	-	-74 183	99%	310%	-	-	5 317 989
	85 270 376	-	-7 887 564	92%	92%	-	-	70 387 047
	5 322 141	-	-	100%	100%	-	-	5 990 347
	39 200 886	-	-183 863	100%	137%	-	-	47 254 675
	362 301 227	21 501 205	15 368 312	104%	126%			379 613 185
	5 355 000	-	-	100%	184%	-	-	5 119 719
	193 026		-	100%	63%			243 876
	18 495 973		5 393 464	141%	106%			22 576 087
	123 195 862	-	-4 528 781	96%	95%	-	-	115 047 746
	888 639 052	21 501 205	-183 091					859 276 680
	-165 031 410		11 917 745			-	-	-47 540 346
	200 349 680	-	-106 761 066	65%	64%	-	-	146 368 982
			-					6 928 779
	35 318 270	-	-94 843 321			-	-	105 757 415
	-							
	198 388 933	-	-138 716 856			-	-	187 243 256
	191 373 275	-	-115 737 471	62%	61%	-	-	170 978 778
	-	-	-					
	-	-	-					
	7 015 658	-	-22 979 385	23%	107%	-	-	16 264 478
	198 388 933	-	-138 716 856			-	-	187 243 256
	191 315 916	-	-35 259 778	84%	70%			195 412 251
	-189 810 326	-	147 295 463	56%	59%			-193 528 930
	-5 928 340	-	-	100%	100%			-5 260 134
	496 397 087	-	112 035 685					500 819 838



REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2019

The King Cetshwayo District Municipality Audit Committee was established by Council as an independent committee in terms of section 166 of the Municipal Finance Management Act (MFMA), Act No 56 of 2003; and the Municipal Systems Act (MSA), Act 32 of 2000. The committee adopted on an annual basis Audit Committee Charter, in compliance with its allocated responsibilities. This Charter was approved by Council. The Audit Committee executed its duties in accordance with its approved Charter during the financial year ending June 2018.

PURPOSE

The audit committee functioned as an independent unit advising the municipal council, the accounting officer and the management staff of the municipality on matters relating to;

- Internal financial control and internal audits
- Risk management
- Accounting policies
- Adequacy, reliability and accuracy of financial reporting and information
- Effective governance
- Compliance with the Municipal Finance Management Act No 56 of 2003, the Municipal Systems Act 32 of 2000 the annual Division of Revenue Act and other applicable legislation and regulations
- Any issues referred to it by the municipality

In addition, the committee reviewed the annual financial statements and provided council with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its compliance with applicable municipal legislation.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Committee's Charter requires a minimum of three members and consists of the members listed below. The charter requires that a minimum of four meetings should be held per annum to give effect to the responsibilities assigned to the Committee in its charter. During the year under review twelve (12) meetings were held.

The serving Audit Committee members were appointed with effect from 1 August 2019 for period ending when a new committee would be constituted (See table below for names and attendance records).

Members Name	Qualifications	Designation	Meeting Attendance (July 2018 - September 2019)													
			26 JUL 2018	23 SEP 2018	26 SEP 2018	18 OCT 2018	14 NOV 2018	05 DEC 2018	17 JAN 2019	19 FEB 2019	27 FEB 2019	03 APR 2019	22 MAY 2019	26 JUN 2019	26 AUG 2019	26 SEP 2019
Prof L de Clerq	BA (HONS) MA Doctor of Philosophy	Member Chairperson - Commenced November 2015	Apology	Apology	a	a	a	a	a	a	a	a	Apology	a		
Mr. I Simjee	CA (SA)	Member - Commenced November 2015	a	a	a	a	a	a	Apology	Apology	a	a	a	a		
Mr. B Ndaba		Member- Commenced November 2015	a	a	Apology	a	Apology	Apology	Absent	a	Apology	Apology	a	a		
Mr. M Ncube	ACCA, CIA, ACFE, AAT	Member Chairperson - Commenced August 2019													a	a
Mr. RJ Monyokolo	Certificate in Business Risk Management, Executive Development Program, Management Advanced Program and MBA Candidate	Member - Commenced August 2019													a	a
Miss P Mbanjwa	Master of Philosophy in Urban Infrastructure Design and Management, Post Diploma in Business Administration, Postgraduate Diploma in Public Policy and Development Administration and Bachelor of Social Science	Member - Commenced August 2019													Apology	a

The Secretarial function for the Committee was performed by the Municipality's Secretariat services. Management Team members including those who are acting, were expected to attend meetings of the Committee. Internal auditors attended all the meetings and external auditors were invited to all meetings and attended some of the meetings. The chairperson of MPAC also attended some of the meetings. External and Internal Auditors had unrestricted access to the Audit Committee.

EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROLS

An internal audit plan was developed and approved by the Audit Committee. The audit plan was based mainly on the risk assessment but also included issues identified by the Committee which required further auditing. This served as a program for the Internal Auditors to perform their function. The Internal auditors, Ngubane and Partners fully executed their audit plan for the 2018/2019 financial year. From the various reports of the Internal Auditors, no significant material deficiencies or non-compliance with prescribed policies and procedures, were reported. Reports were discussed at length at meetings of the Committee. The audit committee can report that while internal financial controls and policies for the period under review appeared efficient and effective there is an opportunity to enhance them.

The municipality's system of internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the Municipal Finance Management Act and the King IV reports on Corporate Governance requirements, Internal Audit and the Auditor General reports confirmed compliance and gave the assurance that the internal controls of the Municipality are appropriate and effective. This is supported by means of a risk review process, testing of controls, as well as identification of corrective actions and suggested enhancements to controls and processes.

REVIEW OF ANNUAL FINANCIAL STATEMENTS

The Audit Committee has noted the following audit opinions expressed by the Auditor General on the separate and consolidated annual financial statements:

"In my opinion, the separate financial statements present fairly, in all material respects, the financial position of the King Cetshwayo District Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018 (DoRA))."

The Audit Committee also notes the concerns raised by the Auditor General around controls relating to bulk water purchases. The Audit Committee therefore concurs with the recommendations made by the Auditor General that the CFO and Head of Section: Expenditure should improve the validation controls over payment of bulk purchases of water. The recently appointed Audit Committee has resolved to strengthen its oversight on this and other internal control related matters.

RISK ASSESSMENT AND MANAGEMENT

The committee appreciates efforts and commitment by management to put in place effective strategies to deal

with the identified risks and related internal control areas. The committee further takes note of Council's risk management unit, which amongst other work, deals with anti corruption and fraud prevention processes. The Audit Committee has commenced discussions with the management of the Municipality with a view to include the Risk Management as part of the core oversight areas of the Audit Committee in order to ensure that identified risks by the Audit Committee are well covered in the Risk register.

PERFORMANCE MANAGEMENT

The Audit Committee has noted the issues raised by the AG on matters related to internal controls on Performance Management in particular as it relates to late signing of a Performance Agreement with the Fresh Produce Market. The committee note that the Council has recently appointed a Performance Management Committee to provide oversight on performance. The committee is engaging management and the Performance Management Committee with a view to include performance management as part of its core oversight responsibilities of the Audit Committee to ensure effective mitigation of performance related risks.

Management should ensure that all reasonable effort be instituted to ensure that both the municipality and the public do not become complacent and continue to conserve water, as the effects of drought remain. This is the responsibility of all citizens.

The issue of minimizing non-revenue water losses and unaccounted for water remains a challenge to be addressed by the Municipality as part of a water conservation strategy in line with its environmental conservation commitment

The Audit committee urges the Municipality to continue its efforts to make the risk assessment the basis for critical analysis of performance and addressing shortcomings in its strategies and operations and the management thereof.

CONCLUSION

The audit committee performed its tasks with commitment and impartiality. It maintained professionalism and did not hesitate to express observations. It functioned in the interest of the public at large and the Municipality.

The Committee wishes to express its appreciation to the King Cetshwayo District Municipality, the Office of the Auditor General and all stakeholders involved.



MR. MANDLA NCUBE

**CHAIRPERSON - KING CETSHWAYO DISTRICT MUNICIPALITY
AUDIT COMMITTEE**